

DIRECTORATE-GENERAL FOR INTERNAL POLICIES

POLICY DEPARTMENT
STRUCTURAL AND COHESION POLICIES **B**



Agriculture and Rural Development

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**RESEARCH FOR
REGI COMMITTEE -
REVIEW OF THE ROLE OF
THE EIB GROUP IN EUROPEAN
COHESION POLICY**

STUDY



DIRECTORATE GENERAL FOR INTERNAL POLICIES
POLICY DEPARTMENT B: STRUCTURAL AND COHESION POLICIES

REGIONAL DEVELOPMENT

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Study

This document was requested by the European Parliament's Committee on Regional Development.

AUTHORS

EPRC - University of Strathclyde: Arno van der Zwet, John Bachtler, Stephen Miller, Phillip Vernon, Viktoriya Dozhdeva

ADVISORS

EPRC - University of Strathclyde: Fiona Wishlade, Rona Michie

RESPONSIBLE ADMINISTRATOR

Diána Haase
Policy Department Structural and Cohesion Policies
European Parliament
B-1047 Brussels
E-mail: poldep-cohesion@europarl.europa.eu

EDITORIAL ASSISTANCE

Virginija Kelmelyte

LINGUISTIC VERSIONS

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ABOUT THE EDITOR

To contact the Policy Department or to subscribe to its monthly newsletter please write to:
poldep-cohesion@europarl.europa.eu

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Abstract

The aim of this study is to provide a comprehensive analysis and assessment of how the European Investment Bank contributes to the achievement of Cohesion Policy objectives. The study finds that the role of the European Investment Bank in Cohesion Policy increased significantly in the 2007-13 programme period and continues to increase in 2014-20. Research results show that there is limited understanding of the effectiveness of European Investment Bank contributions to Cohesion Policy. In order to increase accountability, the inter-institutional relationship between the European Parliament's Committee on Regional Development and the European Investment Bank should be strengthened.

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LIST OF ABBREVIATIONS

BUDG	European Parliament Committee on Budgets
ECB	European Central Bank
CEB	Council of Europe Development Bank
CEF	Connecting Europe Facility
CIP	Competitiveness and Innovation Framework Programme
CF	Cohesion Fund
CM	Complaint Mechanism
CMO	Complaints Mechanism Office
CONT	European Parliament Committee on Budgetary Control
COSME	Competitiveness of Enterprises and Small and Medium-sized Enterprises
CPR	Common Provision Regulation
DG AGRI	Directorate-General for Agriculture and Rural Development
DG ECFIN	Directorate-General for Economic and Financial Affairs
DG EMPL	Directorate-General for Employment, Social Affairs and Inclusion
DG MARE	Directorate-General for Maritime Affairs and Fisheries
DG REGIO	Directorate-General for Regional and Urban Policy
DMI	Deutsches Mikrofinanz Institut
EAFRD	European Agricultural Fund for Rural Development
EaSI	Employment and Social Innovation Programme
EBRD	European Bank for Reconstruction and Development
EC	European Commission
ECON	European Parliament Committee on Economic and Monetary Affairs
EEC	European Economic Community
EFG	Equity Facility for Growth
EFSI	European Fund for Strategic Investments
EIB	European Investment Bank
EIB Group	European Investment Bank Group
EIF	European Investment Fund
EIPP	European Investment Project Portal
EP	European Parliament
EMN	European Microcredit Network
ERDF	European Regional Development Fund
ESIF	European Structural and Investment Funds
FI	Financial Instruments

FL	Framework Loans
GIF	High Growth and Innovative SME Facility
HF	Holding Fund
IFI	International Financial Institution
InnovFin	EU Finance for Innovators
IQR	Internal Quality Review
JASMINE	Joint Action to Support Micro-finance Institutions
JASPERS	Joint Assistance to Support Projects in European Regions
JEREMIE	Joint European Resources for Micro-to-Medium Enterprises
JESSICA	Joint European Support for Sustainable Investment in City Areas
LGF	Loan Guarantee Facility
LGTT	Loan Guarantee Instrument for Trans-European Transport Network projects
MA	Management Authority
MFC	Microfinance Centre
NSRF	National Strategic Reference Framework
OP	Operational Programme
PA	Partnership Agreement
PBI	Project Bond Initiative
PBCE	Project Bond Credit Enhancement
PIU	Project Implementation Unit
REGI	European Parliament Committee on Regional Development
RIS3	Research and Innovation Strategies for Smart Specialisations
RSFF	Risk-Sharing Finance Facility
RSI	Risk-Sharing Instrument
S2E	Stairway to Excellence
SME	Small and Medium-sized Enterprises
SMEG	SME Guarantee Facility
SPL	Structural Programme Lending
TA	Technical Assistance
TO	Thematic Objective
TEN-T	Trans-European Transport Networks
TEC	Treaty establishing the European Community
TFEU	Treaty on the Functioning of the European Union
UDF	Urban Development Fund

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EXECUTIVE SUMMARY

The role of the European Investment Bank Group (EIB) – comprising the European Investment Bank and European Investment Fund – in Cohesion Policy has increased dramatically. Set against this background, the objective of this study is to provide a comprehensive analysis and assessment of how the EIB contributes to the achievement of Cohesion Policy objectives.

Roles of the EIB in Cohesion Policy

The EIB fulfils a number of important roles in the implementation of Cohesion Policy:

- advisory and analytical services – JEREMIE ex-ante evaluations, JESSICA evaluation studies, ad-hoc advice to managing authorities, advisory service to the European Commission;
- (b)lending – co-financing Cohesion Policy projects with direct loans, intermediate loans or global loans; providing framework loans (i.e. Structural Programme Lending) for financial intermediaries; and co-financing financial instruments;
- mandate management of holding funds for financial instruments co-financed with Cohesion Policy funding; and
- capacity-building activities – the JASPERS and JASMINE initiatives, and other Technical Assistance activities linked to the Bank's (b)lending activities.

The effectiveness and efficiency of EIB activities

Based on interview and survey evidence the EIB activities are generally regarded as making a significant contribution to Cohesion Policy objectives and have a high level of added value and complementarity. Its advisory, capacity-building and (b)lending services are highly valued, in particular, by Member States. Specifically in relation to Financial Instruments the EIB plays a crucial role in their development and implementation. The EIB's role is still evolving, and the effectiveness and efficiency of its activities in Cohesion Policies, particularly in quantitative terms, is not always well understood at an aggregate EU level, including its role in mandate management.

Results from the survey for this study demonstrate that gap analyses and evaluations in the context of the JESSICA and JEREMIE initiatives were valued by managing authorities and stakeholders, although the recommendations on FIs were not always taken forward by national or regional authorities. The currently available data provide only limited insights into the comparative performance of HFs managed by the EIB relative to those managed by other institutions. According to these data, it appears that as holding fund manager the EIB absorption rates are lower than for non-EIB holding fund managers. Lower absorption rates may be partly explained by the weaker capacity of Member States where the EIB and EIF operate as well as the particularly severe effects of the financial crisis in these countries.

Management fees for EIB and EIF holding funds are broadly equivalent to those managed by non-EIB institutions. However, a comparison of management fees for holding funds implemented by the EIF (enterprises) and those for the EIB (urban development) indicate that the latter are lower as a proportion of commitments. The reverse is true when comparing enterprise support holding funds of other institutions with those implemented by EIF.

EIB lending makes a major contribution to the EU's overall Cohesion Policy objectives. However, the scale of EIB lending to Cohesion Policy programmes and projects is not well understood and requires further research.

Accountability, transparency and visibility

The dual role of the EIB (public institution and investment bank) causes some ambiguity in its accountability, transparency and visibility. Overall, Member States regard EIB activities as increasingly accountable, transparent and visible, but there are also some negative assessments. In recent years more information regarding EIB activities in Cohesion Policy has become available but not in relation to all its roles in Cohesion Policy. For example, there is relatively little information available with regard to the (b)lending activities of EIB activities in Cohesion Policy projects and programmes.

Inter-institutional relations

The increased use Financial Instruments in Cohesion Policy has required closer working relationships between the EIB and the European Commission (DG Regio). For the Commission, this has meant a steep learning curve and, to a certain extent, a reliance on EIB expertise in the development and implementation of FIs. For its part, the EIB has had to invest time and effort in understanding how FIs can be used efficiently and effectively in the Cohesion Policy context.

The increased involvement of the EIB in Cohesion Policy requires reconsideration of the role of European Parliament and, in particular, the REGI Committee in scrutinising the Bank's activities. European Parliament respondents interviewed for this study strongly favour more active, systematic and regular scrutiny of the EIB by the REGI Committee. Interviewees in the EP and Member States generally consider that the EIB makes a significant contribution to Europe's Growth Agenda, and specifically to Cohesion Policy, but that the full implications of increased EIB involvement are not fully understood.

Future

The role of the EIB in Cohesion Policy is increasing in the 2014-20 period, drawing on the lessons learned from the experience of implementing FIs in 2007-13. The CPR provides a more robust framework for financial instruments in which the EIB and EIF will play a major role. Additionally, the provisions for the SME Initiative provide a further basis for EIB involvement in Cohesion Policy. The creation of the EFSI and its potential contribution to Cohesion Policy has also led to increased visibility of the EIB's responsibilities. These developments provide an opportunity and need for broader and deeper interaction between EIB and the Commission and European Parliament.

Recommendations

The EIB's increased role in Cohesion Policy, particularly through the greater profile and use of financial instruments, has major implications for the performance and results of Cohesion Policy. EIB lending is a major contributor to economic development expenditure in the Member States and a key component in the viability of many major projects. The problem in assessing the effectiveness and efficiency of these activities – from a Cohesion Policy perspective – is that the evidence base is (so far) relatively limited.

The research for this study suggests a high level of satisfaction with the EIB among Member States, although more detailed analysis is required to provide a better understanding of the EIB's contribution to Cohesion Policy and its relation in Member States. The overall assessment is that the EIB is effective across most areas of activity, and it appears to be doing well in supporting the objectives of Cohesion Policy. The challenge is to ensure that

the largely positive assessment can be substantiated by systematic evaluation – and monitored on an ongoing basis to ensure that where problems exist they are being addressed.

The main recommendation of this study is the need for the European Parliament to support the development of more systematic accountability on the role of the EIB in Cohesion Policy. It proposes that steps are taken for the REGI Committee to become more engaged in EIB Activities by exploring the possibility of a chapter or Annex in the EIB's Annual Report which specifically reports on those elements that contribute to the delivery of Cohesion Policy objectives and that are linked to Cohesion Policy instruments.

In tandem with formal reporting requirement, a number of ways are suggested that would improve operational dialogue between the European Parliament and EIB:

- at the political level, visits by the REGI Committee to the EIB similar to those to the European Central Bank (ECB);
- regular invitations to the EIB to present the results of their activities in the context of Cohesion Policy to the REGI Committee;
- organisation of seminars and workshops at the administrative level to promote knowledge exchange, improve the visibility of EIB activities and ensure active institutional engagement;
- more detailed studies focussing on specific themes or issues
- recruitment of personnel from other EU institutions/bodies that possess relevant know-how; and
- drawing up own-initiative reports that target or include reflections on the role of the EIB in Cohesion Policy.

1 INTRODUCTION AND METHODOLOGY

Over the past two programme periods (2000-2006 and 2007-2013), the role of the European Investment Bank Group¹ (EIB) – comprising the European Investment Bank (EIB/ the Bank) and European Investment Fund (EIF) – in Cohesion Policy has increased dramatically. The EIB has evolved into an important financial arm of the European Union responsible for implementing an increasingly heterogeneous range of internal and external policies.^{2,3}

The more expansive role of the EIB in Cohesion Policy originates in a shift from grant-based instruments to financial instruments (FIs). In its role as the 'EU Bank', the EIB is in a unique position to develop, implement, and animate such instruments. The introduction and increased use of FIs in which the EIB has a role in terms of implementation or providing advice can be regarded as a paradigm shift in a number of ways:

- the technical knowledge required to implement the instruments;
- the type of projects that are eligible for finance;
- the way in which decisions on funding are made; and
- the lines of accountability.

The EIB has a number of different roles in relation to Cohesion Policy. In particular, the introduction of the so-called special support instruments in 2007-13 increased the scope and scale of the EIB's involvement in the implementation of Cohesion Policy:

- **JESSICA** (Joint European Support for Sustainable Investment in City Areas) – an initiative of the European Commission developed in cooperation with EIB and the Council of Europe Development Bank (CEB) which enables Member States to channel Structural Funds into financial engineering instruments supporting sustainable urban development and regeneration projects;
- **JEREMIE** (Joint European Resources for Micro-to-Medium Enterprises) – an initiative of the European Commission developed together with the EIF which promotes the use of financial engineering instruments to improve access to finance for SMEs via Structural Funds interventions;
- **JASPERS** (Joint Assistance to Support Projects in European Regions) – a technical assistance partnership between DG Regional and Urban Policy, EIB and EBRD which provides independent advice to beneficiary countries to prepare high quality major projects to be co-financed by European Structural and Investment Funds and is available to the majority of EU and candidate countries; and
- **JASMINE** (Joint Action to Support Micro-finance Institutions in Europe) – an initiative that provides both technical assistance and financial support to non-bank micro-credit providers to help them to improve the quality of their operations, to expand and to become sustainable (as well as promoting good practices in the field of micro-credit and good conduct among micro-credit institutions).

¹ The EIB Group is commonly referred to as EIB (for example see CPR Article 2.23). This convention will be followed in this study – distinguishing where necessary between EIF and EIB.

² Hachez N and Wouters J (2012) A responsible lender? The European Investment Bank's environmental, social and human rights accountability, *Common Market Law Review*, 49 (1) 47–95. In 2013 and 2014, just over 10 percent of EIB funding went to non-EU Member States, including EFTA and candidate and potential candidate countries.

³ In 2013 and 2014, just over 10 percent of EIB funding went to non-EU Member States, including EFTA and candidate and potential candidate countries. See European Investment Bank (2014b) Financial Report 2014, EIB Luxembourg available at: <http://www.eib.org/attachments/general/reports/fr2014en.pdf>

The EIB has four main roles in Cohesion Policy, illustrated in Figure 1. First, the EIB has since the start of Cohesion Policy provided **lending for projects** funded through Cohesion Policy. This is often referred to as (b)lending. The loans can take the form of direct, framework loans (including Structural Programme Loans) intermediate or global loans depending on their size and structure (see Section 2.5). More recently, the Bank has also provided lending for financial instruments.

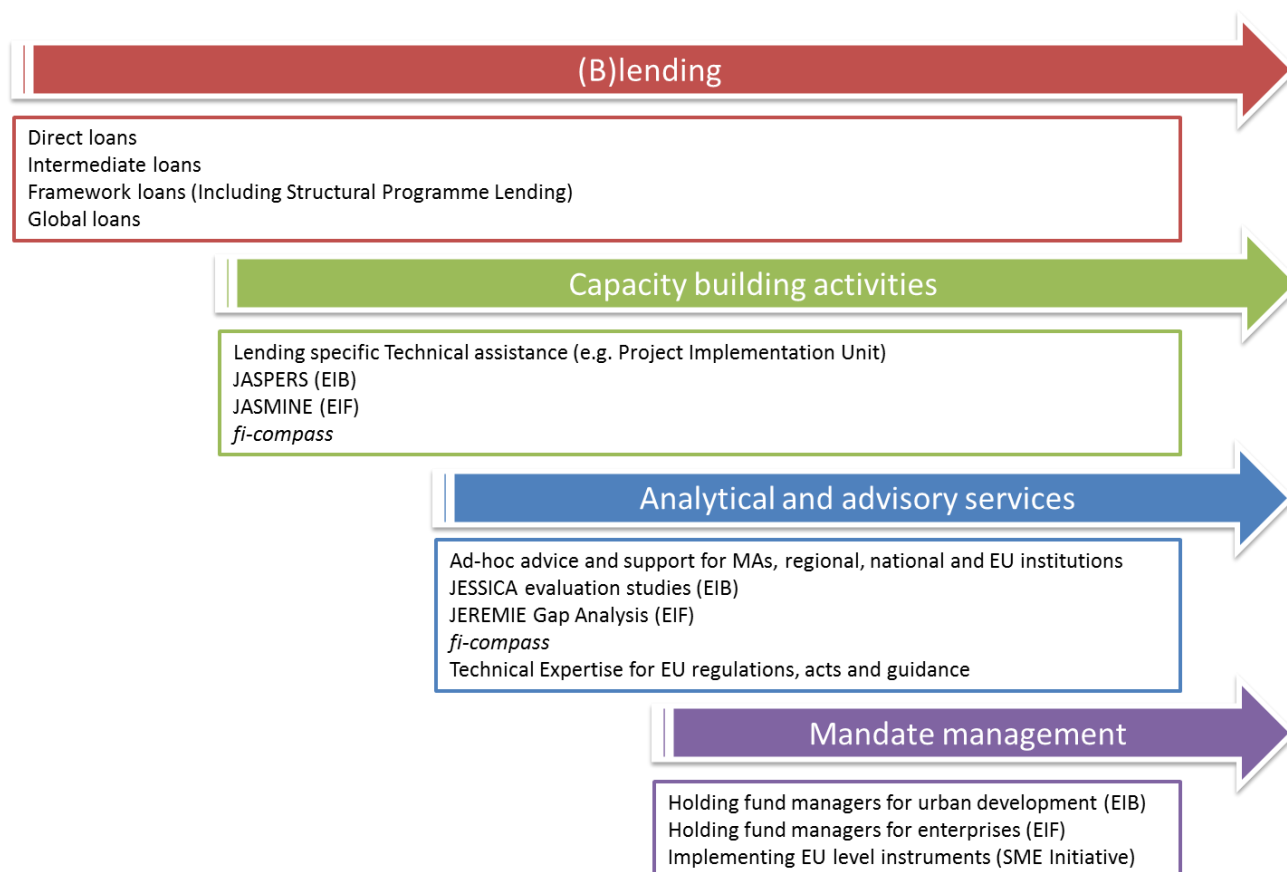
Second, the EIB undertakes **capacity-building activities**. In some cases, EIB lending can be conditional on specific technical assistance requirements (e.g. the establishment of a Project Implementation Unit (PIU)). In the 2007-13 period, the JASPERS and JASMINE initiatives provided technical assistance to implementation bodies and financial intermediaries. In 2014-20, a new technical assistance platform, *fi-compass*, set up by the European Commission in partnership with the EIB, provides common and fund-specific guidance related to FIs, covering the whole FI implementation cycle.

Third, the EIB provides **advisory and analytical services** to Cohesion Policy programme authorities, a role which has expanded over successive periods since 2000-06. In the context of the special support instruments in the 2007-13 period, the EIF conducted gap analyses for FIs targeting enterprises (i.e. JEREMIE initiative), and the EIB evaluation studies for instruments for urban development (JESSICA initiative). In 2014-20, ex-ante assessments are mandatory for any FI receiving Structural Funds support. The EIB has been heavily involved in developing methodologies for ex-ante assessment and can – when asked by MAs – be responsible for carrying them out. Furthermore, the EIB can provide ad-hoc advice to implementation bodies at the Member State and regional level. It also works closely with the Commission and provides technical expertise in relation to drafting regulations, acts and guidance.

Fourthly, the EIB can **implement Holding Funds** for financial instruments set up by Member States and regions for enterprises and urban development when requested to do so (so-called mandate management).⁴ The EIB and EIF also have a role in implementing new EU-level financial instruments in Cohesion Policy for the European Commission as well as the SME Initiative.

Additionally, the EIB has a role in a number of other initiatives that are not considered part of the formal Cohesion Policy framework but which do have an important link to it, such as COSME, the Connecting Europe Facility, InnovFin and the European Fund for Strategic Investments (EFSI).

⁴ There is some confusion in the terminology used in relation to FIs for enterprises and urban development. Many managing authorities and Holding Fund Managers including the EIB refer to FIs for enterprises as JEREMIE and FIs for urban development as JESSICA in reporting and colloquial usage. However, technically the JEREMIE and JESSICA are only the technical assistance offered to develop and promote the use FIs for enterprises and urban development and not the actual FIs themselves.

Figure 1: Role of the EIB in Cohesion Policy

Source: EPRC research

The increasing role of the EIB raises important questions regarding the effectiveness and efficiency, accountability, transparency and visibility of EIB activities.⁵ These relate to:

- the increased administrative complexities of FIs that are managed or supported by the EIB;
- the lack of familiarity, expertise and capacity of public authorities to implement the instruments that are developed and offered by the EIB;
- the lack of transparency in the reporting and monitoring of the effectiveness and efficiency of EIB activities;
- the relationship between commercial imperatives (associated with a AAA credit rating) and public policy objectives;
- the challenges of EIB activities in relation to legal complexities of State aid legislation; and
- the extent to which the horizontal focus of the 2014-20 regulatory framework aligns with EIB activities (e.g. strategic coherence, result orientation, thematic concentration and performance framework).

⁵ Michie R and Wishlade F (2011) *Between Scylla and Charybdis: Navigating financial engineering instruments through Structural Fund and State aid requirements*, IQ-Net Thematic Paper No. 29(2), European Policies Research Centre, University of Strathclyde, Glasgow.

Such questions are particularly relevant considering that there is relatively little academic research on the role of the EIB in general and particularly in relation to Cohesion Policy.⁶ The limited academic work that is available is often dated and focuses on the EIB's role in regional development and public policy role more generally⁷ and tends to be more focussed on its role as an external lender.⁸ The use of FIs in Cohesion Policy has received some academic interest but this has tended to focus on their general performance and implementation rather than the specific role the EIB may play.⁹

1.1 Objectives and Research Questions

Against the above background, the objective of this study is to provide **a comprehensive analysis and assessment of how** the EIB contributes to the achievement of **Cohesion Policy objectives**. The analysis focuses on the following five key elements:

- the role of the EIB in the implementation of Cohesion Policy;
- the effectiveness and efficiency of the EIB activities in Cohesion Policy;
- the accountability, transparency and visibility of EIB activities;
- the relationships between EU institutions and the EIB; and
- future expectations of the role of the EIB in Cohesion Policy, particularly in the context of the increased use of financial instruments and the implications of the adoption of the EFSI regulation.

For each of the above categories, the main research questions are outlined in Box 1.

⁶ Robinson N (2009) The European Investment Bank: The EU's Neglected Institutions, *Journal of Common Market Studies*, 47(3): 651–73; Clifton J, Diaz-Fuentes D and Revuelta J (2013) Financing utilities: How the role of the European Investment Bank shifted from regional development to making markets, *Utilities Policy*, 29: 63–71.

⁷ Clifton J, Diaz-Fuentes D and Revuelta J (2013) Financing utilities: How the role of the European Investment Bank shifted from regional development to making markets, *Utilities Policy*, 29: 63–71; Griffith-Jones S and Tyson J (2012) The European Investment Bank and its Role in Regional Development and Integration, in: Cintra, Marcos Antonio Macedo & Gomes, Keiti da Rocha (eds) *The Transformations of the International Financial System*, IPEA, available at: <http://www.stephanygj.net/papers/EIBRegDevIntegration2012.pdf>; Pinder D, Edwards J B and Wise M (1995) The European Investment Bank, transport investment and European Union objectives: an exploratory analysis, *Journal of Transport Geography*, 3: 167–178. Honohan P (1995) The Public Policy Role of the European Investment Bank within the EU, *Journal of Common Market Studies*, 33:3, 315–330; Barnes I and Campbell J (1987) Local Authorities and the European Investment Bank, *Local Government Studies*, 13:1, 25–33.

⁸ Hachez and Wouters (2012) *op cit*.

⁹ Michie and Wishlade (2011) *op cit*; Dąbrowski M (2015a) 'Doing more with less' or 'doing less with less'? Assessing EU Cohesion Policy's financial instruments for urban development, *Regional Studies, Regional Science*, 2:1, 73–96.

Box 1: Research questions**The role of the EIB in Cohesion Policy**

- What is the current role of the EIB in EU Cohesion Policy and how has it changed over time?
- What are the current institutional, budgetary and procedural arrangements of EIB involvement in Cohesion Policy?
- What do changes in the legislative framework mean for the role of the EIB?

The effectiveness and efficiency of the EIB and financial instruments in Cohesion Policy

- How does the EIB contribute to cohesion and regional development in Europe?
- What is the added value of EIB involvement in Cohesion Policy implementation? What are the advantages and the challenges experienced by the EIB itself, by its primary interlocutor, the Commission, and by national and regional authorities who engaged in EIB activities?
- What lessons can be drawn from the accumulated experience of the EIB when it comes to the implementation of financial instruments, and in particular what lessons have been learned from the special support instruments?
- Has the EIB contributed to achieving the objectives of Cohesion Policy, and what available evidence exists about the results and effectiveness of its interventions?
- What have been the experiences in relation to FIs and the four special support instruments during the 2007-13 period?
- Where are the gaps in relation to the available evidence of the effectiveness of EIB activities in Cohesion Policy? What are the reasons for such limitations and what can be done to address them?
- What balance is struck in decisions on funded activities between profitability and contribution to Cohesion Policy objectives?

Accountability, transparency and visibility

- How can the processes of a financial institution be aligned with those of Cohesion Policy, which is governed by specific regulations? Are monitoring, evaluation, reporting and auditing activities different and in what way from activities that apply to grants under Cohesion Policy?
- Is there a gap in data and information to track and oversee the contribution of the EIB to Cohesion Policy objectives, especially with regard to outputs and results of final recipients/borrowers? If such a gap exists, what are the reasons; can this be improved in future and how?
- How can the general and horizontal principles of Cohesion Policy, especially as put in place in the 2014-20 period, be respected when it comes to FIs where implementation tasks are entrusted to the EIB?
- How transparent and visible is the fact that EU budgetary resources are used in EIB activities? Have there been sufficient measures in place to ensure that 'clients', beneficiaries/final recipients are aware of this fact, and what is to be expected in future?

Relationships between European Parliament, Commission and EIB

- How is and has been the relation between the EIB and the European Commission and European Parliament?
- How can formal and informal relationships between the institutions be strengthened?
- What are the options for balancing the intergovernmental model of the EIB and the shared management of Cohesion Policy?

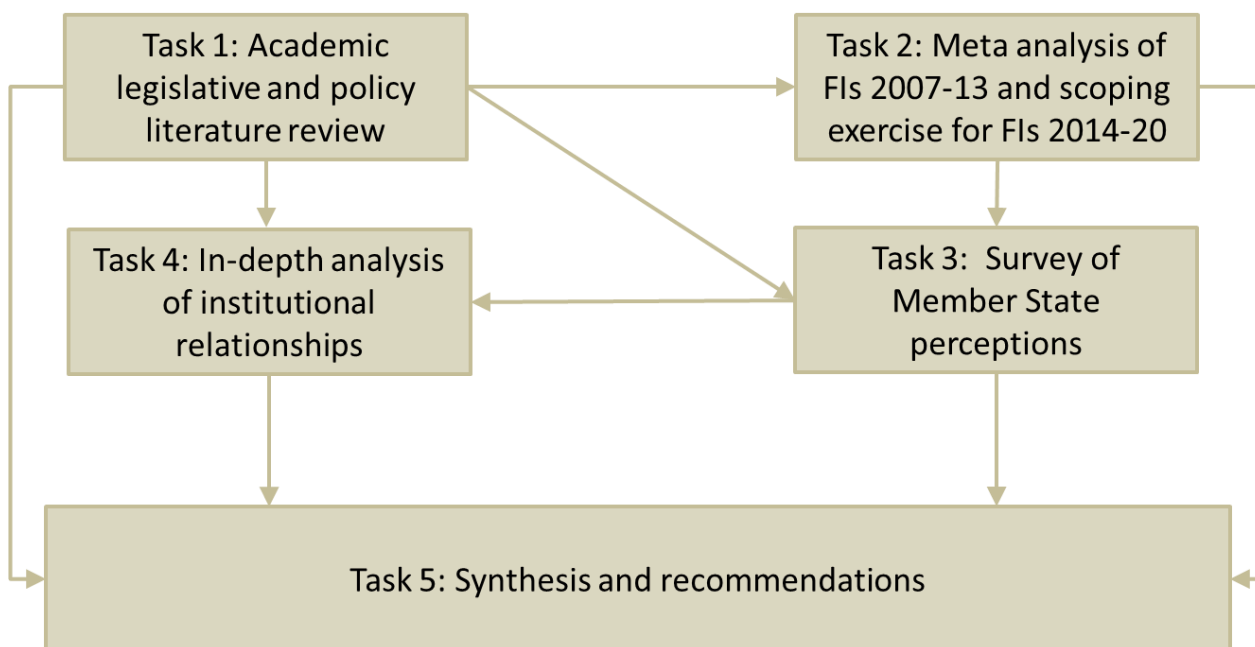
Future expectations

- What challenges were directly related to the legislative framework in place for financial instruments in 2007-2013, and what is the assessment of the changes for the 2014-20 period?
- What is visible to date about the EIB involvement in Cohesion Policy 2014-2020, and what will be the level of uptake (in regions and Member States) of measures involving the EIB, proposed by the legislative framework?
- What synergies might ESI Funds have with relevant EU-level proposals and policy initiatives involving the EIB, such as the Investment Plan for Europe? What challenges and added value might such proposals bring about in conjunction with Cohesion Policy interventions?
- How do FIs align with the result orientation and thematic objectives set out in 2014-20 regulations?
- What are the expectations of EIB involvement in Cohesion Policy beyond 2020?

1.2 Methodological approach

The methodology comprised five key interrelated tasks as shown in Figure 2 and described in detail in the following sections. The project followed an iterative process and benefited from ongoing dialogue with European Parliament officials, European Commission and the EIB.

Figure 2: Work programme tasks



1.2.1 Task 1: Academic, legislative and policy literature

The starting point for the study was **a systematic review of the key academic legislative and policy literature**. Undertaken through desk research, this was intended to provide a critical assessment of:

- the EIB's role in Cohesion Policy and how this has evolved;
- the effectiveness and efficiency of EIB-managed FIs that involve Cohesion Policy funding;
- the framework in which institutional relations between the EIB, the Commission and the European Parliament are organised; and
- the accountability, transparency and visibility of EIB activities

The review covered existing academic and policy literature, legal texts, Cohesion Policy programme documents, country-specific evaluations, studies by EU institutions and the EIB, websites and other relevant sources. The findings of the review informed and further shaped the subsequent elements of the project.

1.2.2 Task 2: Meta-analysis of FIs 2007-13 & scoping exercise for 2014-20

A second element of the project consisted of a meta-analysis of FI initiatives in Cohesion Policy in 2007-13 in which the EIB had a role, including JESSICA, JEREMIE, JASPERS and JASMINE, and other EU initiatives in which the EIB is involved (e.g. InnovFin, COSME and

the Connecting Europe Facility)). The research has drawn on previous EPRC work, notably a stock-take of FIs conducted for the EIB in 2012-13.¹⁰ Part of the analysis of effectiveness and efficiency of EIB and EIF HFs is based on data from the 'Summary of Data on the Progress Made in Financing and Implementing Financial Engineering Instrument' (hereinafter referred to as the summary of data on financial instruments) published in December 2015.¹¹

A review of JESSICA evaluations and JEREMIE gap analysis in the 2007-13 period was undertaken through a desk-based research exercise, sourcing evaluations from the EIB and EIF websites.¹²

This task also includes a scoping exercise of FIs in the 2014-20 period (based on the preliminary information becoming available) to identify shifts in emphasis and uptake in Member States, and particular attention will be afforded to those areas of specific interest to members of the European Parliament's Committee on Regional Development (REGI Committee) (e.g. SME Initiative Art. 39 of CPR).

While the review of effectiveness and efficiency encompasses all of the EIB's main roles, the focus is particularly on financial instruments which have become increasingly important for the implementation of Cohesion Policy. The review of the EIB's lending in relation to Cohesion Policy relies on secondary data.

1.2.3 Task 3: Survey of Member State perceptions

The third element of the study involved a comparative, online, cross-country survey of senior officials responsible for Cohesion Policy implementation in all 28 Member States to assess perceptions of the implementation of FIs and the effectiveness of the role of the EIB in Cohesion Policy. The survey was designed to be a 'light touch' and anonymous way of collecting the data needed for the study.

The survey questionnaire addressed four analytical dimensions:

- (a) **the role of the EIB in implementing FIs:** role of the EIB as a (holding) fund manager; advisory role of EIB; role of the EIB as a lender; capacity-building activities provided by EIB in setting up FIs;
- (b) **the effectiveness of the EIB activities in Cohesion Policy:** added value of the EIB's role; contribution of EIB to the objectives of Cohesion Policy; advantages and challenges of EIB activities; performance of the special support instruments; respect for the horizontal principles;
- (c) **accountability, transparency and visibility:** reporting and monitoring requirements; gaps in data provision and information; audit processes; transparency of use of FIs; visibility of use of FIs; and
- (d) **future expectations:** implications of the 2014-20 legislative framework for EIB activities and specifically FIs (with reference to strategic coherence, result orientation, thematic concentration and performance framework); implication of the EU Investment Plan and the role for of the EIB.

¹⁰ European Investment Bank (2013a) Financial instruments: A stock-taking exercise in preparation for the 2014–2020 programming period. Final Report. Brussels: EIB.

¹¹ European Commission (2015d) Summary of data on the progress made in financing and implementing financial engineering instruments, September 2015, Brussels, available at: http://ec.europa.eu/regional_policy/en/information/publications/reports/2015/summary-of-data-on-the-progress-made-in-financing-and-implementing-financial-engineering-instruments-2014

¹² For access to all JESSICA evaluation studies, see: <http://www.eib.org/products/blending/jessica/studies/evaluation.htm>

A copy of the full questionnaire is provided in Annex 2. All 28 Member States were approached to participate in the survey. 19 responses from 18 Member States were received: AT, BE (Flanders), BG, CZ, DE, FI, FR, HU, HR, LT, LV, LU, NL, PL, PT, SE, SI, SK, and UK (England and Scotland). Due to the constitutional framework of some countries (BE and UK), representatives at the sub-national level were also invited to participate in the survey. In some Member States, the survey response involved inputs from several ministries.

The survey provides an initial overview of the role of the EIB in Cohesion Policy and the perception of the added value and challenges of its role from an implementation viewpoint. The findings are subject to a number of caveats:

- not all Member States responded to the survey (particularly the absence of responses from Member States in which the EIB is particularly active should be taken into account (EL, ES and IT);
- the survey is a snapshot of views at the time of the survey, and perceptions and attitudes are best measured longitudinally;
- survey responses are in some instances incomplete or contain contradictions with other data sources;
- there are limitations in terms of the qualitative and context-specific nature of some responses; and
- all surveys were conducted in English, which may in some cases have led to interpretation differences.

Consequently, the results should be regarded as an indicative rather than definitive assessment of the added value and challenges of EIB activities in Cohesion Policy from an implementation perspective.

1.2.4 Task 4: In-depth analysis of institutional relationships

The fourth task of the study comprised an analysis of inter-institutional relationships between the EIB, European Commission and European Parliament in relation to the monitoring and reporting of EIB activities and specifically with respect to FIs. The research was conducted through a series of interviews with officials from the European Parliament, the Commission and the EIB.

This part of the study involved two elements. One was a mapping exercise, covering the key formal and informal fora, platforms and processes of communications between the EIB, European Parliament and European Commission. The second element comprised an assessment of institutional perspectives on accountability, transparency and visibility of EIB involvement in Cohesion Policy. This included an assessment of:

- strengths and weaknesses of current inter-institutional interactions;
- lessons learned in relation to information exchange in the 2007-13 period;
- communication/interaction gaps and requirements for additional communication/reporting interfaces;
- options for deepening and strengthening institutional relationships;
- alignment of processes in financial instruments with Cohesion Policy objectives;
- monitoring and reporting requirements in each institution;
- the relationships between REGI Committee and other European Parliament Committees (Committee on Budgetary Control and Committee on Budgets);
- gaps in information provision in the monitoring process of the EIB contribution to Cohesion Policy; and
- the transparency of beneficiary expectations and visibility of the use of FIs.

A full list of interview questions is provided in Annex 1. In order to ensure that questions were relevant for interviewees for each institution, appropriate questions were selected in each case, rather than addressing the full list.

1.2.5 Task 5: Synthesis and recommendations

The synthesis of the cross-country survey and the in-depth analysis of institutional relations were integrated with the findings from the literature review and meta-analysis, to draw conclusions and provide recommendations. Recommendations are provided for each of the relevant decision-making levels (EU, national and programme levels) and the different EU institutions. To support the work of the European Parliament, forward-looking recommendations are included to guide the future initiatives and oversight activities of the REGI Committee in the area of EIB relations. The recommendations specifically focus on:

- how EIB measures in Cohesion Policy can better contribute to the policy's main objectives;
- how the accountability, transparency and visibility of EIB measures can be improved and specifically how to address gaps in information provision and reporting facilities;
- how the policy dialogue between the REGI Committee (and the European Parliament in general) and the EIB can be improved; and
- the challenges in the implementation of EU-level initiatives that involve wider EIB activities (not just ESIF) and identify potential interplay and synergies (for example in relation to the European Fund for Strategic Investments).

1.3 Structure

The study's findings are presented as a synthesis of all the separate tasks rather than as a report on each task. The remainder of the study is structured as follows:

- a background review of the EIB (history, governance, financial resources and European Investment Fund), financial instruments, the EIB's role in Cohesion Policy and its involvement in other instruments (Chapter 2);
- an overview of the effectiveness and efficiency of various EIB activities related to Cohesion Policy (Chapter 3);
- an analysis of views on accountability, transparency and visibility of EIB activities in Cohesion Policy (Chapter 4);
- an analysis of inter-institutional relationships between the EIB, Commission and European Parliament (Chapter 5);
- an overview of changes in the 2014-20 period (Chapter 6); and
- conclusions and recommendations (Chapter 7).

2 BACKGROUND

KEY FINDINGS

- The EIB has several roles in Cohesion Policy - advisory, (b)lending, capacity building and mandate management the implementation of holding funds for financial instruments. These roles vary across Member States.
- The role of the EIB in Cohesion Policy has progressively expanded since the early 2000s. In particular, the introduction of 'special instruments' (JESSICA, JEREMIE, JASPERS and JASMINE) in the 2007-13 period has led to deeper and wider engagement of the EIB in Cohesion Policy implementation.
- The role of the EIB in providing co-financing for Cohesion Policy projects through loans, called (b)lending, which includes direct loans, global loans, framework loans and Structural Programme Lending is especially important in terms of financial scale and supports directly Cohesion Policy at the macro-scale.
- The EIB provides advisory and analytical services through evaluations and gap analyses and ad hoc advice to managing authorities. These services are linked to the EIB's capacity-building activities and the technical assistance it provides for managing authorities, intermediary financial institutions, national authorities and the European Commission.
- The legislative framework provides provisions for the involvement of the EIB in terms of consulting Member States in the development of Partnership Agreements and Operational Programmes. Moreover the EIB can provide appraisals of Cohesion Policy project.
- In the context of the JEREMIE and JESSICA initiatives in the 2007-13 period, both the EIB and EIF have taken on management responsibilities for holding funds involving Structural Funds, known as 'mandate management'. For the EIF mandate management is its core business although it had no experience of this within Cohesion Policy framework, for the EIB mandate management was an altogether new responsibility.
- The EIB has a significant role in the development, management and implementation of a wider set of Community instruments that do not operate within the Cohesion Policy framework but are closely linked (e.g., EFSI, COSME, INNOVFIN and CEF).

This chapter gives a brief factual overview of the EIB's activities in relation to Cohesion Policy. The first section provides a brief history of the EIB. This is followed by a discussion of the legal framework in which the EIB Group operates in relation to Cohesion Policy. Subsequent sections provide an overview of the EIB's advisory, analytical and capacity building services, holding fund management and blending and lending operations. It concludes with a brief discussion of EU-level instruments implemented by the EIB that are outside the Cohesion Policy legal framework but have synergies.

2.1 Origins and operation of the European Investment Bank

The EIB Group consists of the European Investment Bank (established in 1958) and the European Investment Fund (established in 1994). The EIB was established in 1958 under the Treaty of Rome to provide non-profit and policy-orientated lending, which was widely considered necessary for the establishment of a Common Market. More recently, Article 309 of the Treaty on the Functioning of the European Union (TFEU) confirmed that 'the task of the European Investment Bank shall be to contribute by having recourse to the capital

market and utilising its own resources to the balanced and steady development of the internal market in the interest of the Union¹³ by facilitating and financing:

- projects for developing less-developed regions;
- projects for modernising or converting undertakings or for developing fresh activities called for by the establishment or functioning of the internal market, where these projects are of such a size or nature that they cannot be entirely financed by the various means available in the individual Member States; and
- projects of common interest to several Member States which are of such a size or nature that they cannot be entirely financed by the various means available in the individual Member States.

Further, the EIB 'shall facilitate the financing of investment programmes in conjunction with assistance from the Structural Funds and other Union Financial instruments'. As such, the TFEU provides the basis for EIB engagement in EU funding programmes.

In this context, **the EIB's role in terms of social and economic cohesion has been defined as including the following components:**¹⁴

- lending to projects and programmes of investment in less-advantaged regions, often co-financing with EU funds and helping to attract other investors;
- assisting governments to access EU Structural and Investment Funds by co-financing part of their respective national and/or regional contributions;
- assisting governments to make the most of EU funds by using them to provide equity, loans and loan guarantees for sectors including regional, urban renewal and environmental projects and SMEs; and
- providing advisory services to national and regional authorities to assist them in preparing and raising the quality of investment projects.

In its current form, the EIB has a dual role. First, it acts as an **investment bank** that has to maintain its creditworthiness and protect its AAA rating in international financial markets. The AAA rating allows the Bank to offer loans at a lower financing cost to its borrowers. Second, it is a **public institution** tasked with implementing broader European policy objectives such as economic development, climate-change prevention, employment generation, financing SMEs and convergence.

2.1.1 Development and role of the EIB

Historically, the EIB's mandate has always had a regional development component, and it has a long history of supporting regional policy in the EU. The Treaty of Rome foresaw that its guiding principles of competition and free trade would be associated with uneven economic development across the regions of the (then) European Economic Community. It recognised that a self-reinforcing process would lead to more-developed regions becoming richer at the expense of less-developed regions. The EIB was established as one of a range of measures¹⁵ designed to facilitate development in less-favoured regions. Determining the functions and structure of the Bank was, however, not straightforward. Some Member States (Germany, Netherlands, Belgium and Luxembourg) argued that the organisation should be non-political, funded from capital markets, and should lend to

¹³ Article 309 of Treaty on the Functioning of the European Union, Consolidated versions of the Treaty on European Union and the Treaty on the Functioning of the European Union, *Official Journal* C 326 , 26/10/2012 P. 0001 - 0390.

¹⁴ European Investment Bank (2014c) Promoting Economic and Social Cohesion in Europe, available at: http://www.eib.org/attachments/thematic/economic_social_cohesion_en.pdf

¹⁵ Other measures included the creation of the European Social Fund.

projects that might generate profits. Italy and France advocated a more *dirigiste* approach, advocating support through grants and funding for projects of a social nature. Germany was willing to compromise on the functions of the EIB (i.e. giving the Bank a regional development priority) but not on structure of financing, meaning the Bank would be non-political and capitalised by financial markets.¹⁶ The proposed capital under Article 4 of the protocol annexed to the Treaty was 1 billion USD, which was distributed as follow:¹⁷

- Luxembourg - 2 million
- Belgium - 86.5 million
- Netherlands - 71.5 million
- Italy - 240 million
- France - 325 million
- Germany - 325 million

Once established, EIB investment during the 1960s and 1970s was mainly channelled through state actors and largely concentrated on regional development.¹⁸ Southern Italy was the main beneficiary of EIB funding in these early years. Between 1959 and 1972 more than 60 percent of EIB lending to Member States was granted to 'productive initiatives and general infrastructure implemented in Italy and, in particular, in the Mezzogiorno'.¹⁹

The EIB's budget has increased significantly since its foundation in 1958. This increase was driven by two processes. First, the successive rounds of EU enlargement played an important role in the development of the EIB. The Bank's subscribed capital in 2015 amounted to more than EUR 243 billion. A full breakdown of the EIB's capital throughout its history is provided in Table 1 and shows that, with each round of accession, the Bank's overall capital increased. The final column provides the current shareholder's capital percentage by Member State. The shares are divided according to each Member State's economic weight in the EU (relative size of GDP). In the accession of the Central and Eastern European countries, EIB loans were often part of a larger package of funding to assist integration.²⁰

¹⁶ Coppolaro L (2010) Setting up the financing institution of the European Economic Community: the creation of the European Investment Bank (1955-1957), *Journal of European Integration History*, 15(2): 87-104.

¹⁷ Bussière E, Dumoulin M and Willaert E (2008) *The Bank of the European Union, The EIB, 1958-2008*, p. 42. available at: http://www.eib.org/attachments/general/the_eib_1958_2008_en.pdf

¹⁸ Coppolaro L (2010) *op. cit.*

¹⁹ Bussière *et al.* (2008) *op. cit.* p. 76.

²⁰ Griffith-Jones S and Tyson J (2012) *op cit.*; Bussière *et al.* (2008) *op. cit.*

Table 1: EIB Capital 1958-2013

	01/01/1958	01/01/1973	01/01/1981	01/01/1986	01/01/1995	01/05/2004	01/07/2013	Shareholder % 2013
Germany	300	450	1575	5509	11017	26650	39195	16.1
France	300	450	1575	5509	11017	26650	39195	16.1
Italy	240	360	1260	5509	11017	26650	39195	16.1
Netherlands	72	119	415	1527	3054	7387	10865	4.5
Belgium	87	119	415	1527	3054	7387	10865	4.5
Luxembourg	2	3	11	39	77	187	275	0.1
United Kingdom	-	450	1575	5509	11017	26650	39195	16.1
Denmark	-	60	210	773	1546	3740	5501	2.3
Ireland	-	15	53	193	387	935	1375	0.6
Greece	-	-	113	414	828	2004	2947	1.2
Spain	-	-	-	2025	4050	15990	23517	9.7
Portugal	-	-	-	267	534	1291	1899	0.8
Sweden	-	-	-	-	2026	4901	7208	3.0
Austria	-	-	-	-	1516	3667	5393	2.2
Finland	-	-	-	-	871	2107	3099	1.3
Poland	-	-	-	-	-	3411	5017	2.1
Czech Republic	-	-	-	-	-	1259	1851	0.8
Hungary	-	-	-	-	-	1191	1751	0.7
Slovakia	-	-	-	-	-	428	630	0.3
Slovenia	-	-	-	-	-	398	585	0.2
Lithuania	-	-	-	-	-	250	367	0.2
Cyprus	-	-	-	-	-	183	270	0.1
Latvia	-	-	-	-	-	152	224	0.1
Estonia	-	-	-	-	-	118	173	0.1
Malta	-	-	-	-	-	70	103	0.0
Romania	-	-	-	-	-	-	1270	0.5
Bulgaria	-	-	-	-	-	-	427	0.2
Croatia	-	-	-	-	-	-	891	0.4
Total	1001	2026	7202	28801	62011	163656	243283	

Source: Bussière et al. (2008); EIB (2015)

The EIB grew significantly and assisted the integration of accession countries into the Common Market and fostered economic convergence. Table 2 provides a comparison of the scale of EIB and ERDF intervention between 1975 and 1982. Italy remained the main recipient of EIB funding after the first accession round. However, the UK and Ireland also became major recipients of EIB loans. In real terms, the total amount of EIB loans was higher than ERDF interventions with the exception of Luxembourg and Netherlands. Proportionally, Belgium, Denmark, Ireland and Italy received higher contributions from the EIB than the ERDF.

Table 2: Comparison of EIB and ERDF allocations 1975-1982 by Member State (in million ECU)

Country	ERDF interventions	% of total ERDF budget	EIB loans	% of total EIB loans
Belgium	70.26	0.98	545.4	3.00
Denmark	84.48	1.20	728.80	4.00
France	1128.48	15.80	2104.40	11.50
Germany	392.08	5.50	559.50	3.00
Greece	474.85	6.70	672.30	3.60
Ireland	450.82	6.40	1759.10	9.60
Italy	2740.03	38.30	8030.70	43.70
Luxembourg	7.23	0.10	0.00	0.00
Netherlands	100.40	1.40	30.40	0.20
United Kingdom	1707.19	23.80	3947.90	21.40
Total	7155.82	100.00	18378.50	100.00

Source: Romus P, *Économie régionale européenne*, 4th edition, Brussels University Press, Brussels, [1983], p. 256 and the annual reports of the EIB from 1975 to 1982

Second, the EIB broadened its scope of activities to include fields such as energy and environmental protection whilst increasing its cooperation with non-state actors.²¹ The energy crisis in the 1970s focused attention on Europe's energy dependence and led to the EIB changing its lending policy to favour projects specifically dealing with Europe's energy security. In the 1980s, environmental protection also became a focus for EIB activity. The Single European Act made environmental protection a separate Community objective to which the EIB would direct loans, for instance funding anti-pollution facilities, water treatment systems, river regulation works to prevent erosion, etc.²²

2.1.2 European Investment Fund

In 1994, the European Investment Fund (EIF) was established to provide support for SMEs across Europe. The Fund was reformed in 2000 to become a specialist arm of the EIB Group for providing risk capital. With its own legal personality and financial autonomy,²³ the EIF is a public-private partnership owned by the EIB (61.3 percent) the European Union through the Commission (26.5 percent) and 29 public and private institutions (12.2 percent).²⁴ The last category includes financial institutions such as Barclays Bank plc in the UK and Banco Santander in Spain and national regional development banks (e.g. *Bank Gospodarstwa Krajowego* (BGK)²⁵ in Poland, *Banque publique d'investissement* (BPI France)²⁶ in France and

²¹ Coppolaro L (2010) *op. cit.*

²² Bussière *et al.* (2008) *op. cit.* p. 149.

²³ European Investment Fund (2014b) Statutes, available at: http://www.eif.org/news_centre/publications/statutes.htm

²⁴ EIF (2016) Register of shareholder, 26 January 2016 available at: http://www.eif.org/who_we_are/shareholder/

²⁵ The Bank Gospodarstwa Krajowego (BGK) is the State development bank of Poland. It is the main partner in the promotion of government-sponsored social welfare and economic programmes implemented to support entrepreneurship and infrastructure, as well as residential investments at national, regional and local levels.

some of the German *Land* banks) as well as development agencies (e.g. Scottish Enterprise in the UK).

The EIF provides finance mainly for small and medium-sized enterprises (SMEs). In terms of regional development, it has a diverse portfolio, including a range of risk-sharing and capacity-building activities. The Fund focuses on regional development alongside existing EU-wide SME/Mid-caps schemes.

The main objectives of the EIF are:²⁷

- fostering EU objectives, particularly in the field of entrepreneurship, growth, innovation, research and development, employment and regional development; and
- generating an appropriate return for its shareholders, through a commercial pricing policy and a balance of fee and risk-based income.

It supports EU objectives through:²⁸

- the provision of guarantees as well as other comparable instruments for loans and other financial obligations in whatever form is legally permissible;
- the acquisition, holding, managing and disposal of participations in any enterprise subject to the conditions laid down in paragraph 2 (i) of Article 12 of the statute of the European Investment Fund which states that 'the general meeting²⁹ shall take any decision authorising the Fund to conduct operations'.

The authorised capital of the EIF is EUR 4.5 billion, divided into 4,500 shares each with a nominal value of EUR 1 million. These shares are open to subscription by the members of the Fund in accordance with Article 6 of the Statutes.^{30, 31} The capital may be increased by decision of the General Meeting acting with a majority of 85 percent of the votes cast.

2.1.3 Governance

The EIB is not classified as an 'institution', 'EU agency' or EU 'advisory body', but instead is classified under the remaining category of 'body'. The EIB is not an agency under the EU's definition as it is specifically mentioned in the Treaty.³² Its governance structures enjoy a high degree of autonomy within the institutional framework of the EU. The EIB has its own legal personality which is distinct from the Union.³³ It is also organised as an autonomous corporate structure whose shareholders are the Member States and the EU, and it is governed by a specific Statute laid down in Protocol No. 5 to the Treaties.³⁴

The EIB is an International Financial Institution (IFI), i.e. it is owned and jointly governed by a number of countries. The Bank's shareholders are the 28 Member States of the EU, with national shares allocated according to each Member State's economic weight in the EU based

²⁶ BPI France is a business development bank established in 2012 through the merger of a number of existing business support funds and organisations in France. BPI France is not a bank as such (it has no banking licence) but operates a number of financial instruments, principally targeted at SMEs. It operates nationally and has strong regional presence.

²⁷ For more information see: http://www.eif.org/who_we_are/

²⁸ European Investment Fund (2014b) *op. cit.*

²⁹ All members can participate in the general meeting.

³⁰ European Investment Fund (2014b) *op. cit.* Article 5.

³¹ All shares are currently subscribed or allocated for subscription.

³² Flinder M (2004) Distributed public governance in the European Union, *Journal of European Public Policy*, 11:3, 520-544, DOI: 10.1080/13501760410001694282

³³ Art. 308(1) of Treaty on the Functioning of the European Union, Consolidated versions of the Treaty on European Union and the Treaty on the Functioning of the European Union, Official Journal C 326 , 26/10/2012 P. 0001 - 0390.

³⁴ Hachez and Wouters (2012) *op. cit.*

on relative size of GDP (see Table 1). The governance of the EIB comprises four statutory bodies; three are decision-making bodies (the Board of Governors, the Board of Directors and the Management Committee) and one is a control body (Audit Committee). The main roles of each of these bodies are listed in Table 3, and an outline of the governance structure is provided in Figure 3.

With respect to the functioning of the lending process, applications for loans can be made directly to the EIB or through the Commission or Member State. EIB loans can only be financed if they are approved by the Member State on whose territory the project is to be carried out. The process regarding the decision to grant finance is illustrated in Figure 4. In the first instance, EIB staff review the soundness and merits of a project proposal. Their appraisal of projects considers the following questions:

- How does the project fit into the policies defined or supported by the European Union?
- What is the contribution of the project to the economy and to society as a whole? Is the project sustainable from economic, financial, environmental, social and technical points of view?
- How would the project benefit from EIB involvement, financially or otherwise?
- Is the structure and risk level of the operation³⁵ acceptable to the EIB?
- Are the contractual terms and conditions proposed by the EIB acceptable to the beneficiary of the loan or investment?

Subsequently, EIB staff report to the Management Committee which approves the submission of a financing proposal to the Board of Directors. Decision-making occurs by double majority (both the members of the Board and the amount of capital). These rules aim to act as a safeguard against unilateral decisions made by large shareholders while barring measures lacking their support.³⁶ The Board of Directors requires unanimity if the Commission is against a proposal (which is rare). The Member State in which an operation is planned can veto decisions irrespective of the opinion of other Member States and the Commission (which is also very rare). The EIB will only sign a loan contract if the Board of Directors has formally approved the operations.³⁷

The Bank monitors each operation, not only for financial risk purposes but also to see whether the expected results of the project materialise. The Operations Evaluation Division of the Bank can conduct ex post evaluations of a selection of completed projects. The evaluation reports are submitted to the Management Committee and forwarded to the Board of Directors. These reports are also published on the EIB website.³⁸

In addition, the EIB has at its disposal all the controls that are normally found in a bank. The impact of the operation on the Bank's credit, market and operational risks are assessed by the Risk Management Directorate. Legal risks are evaluated by the Legal Directorate. The services involved in the operation may see their procedures and specific cases reviewed by Internal Audit, to enhance efficiency. Lastly, the EIB's Compliance Office conducts several checks to review the integrity and reputation of the participants in the operation.³⁹

³⁵ Operation refers to a project, contracts, action or group of projects.

³⁶ Hachez and Wouters (2012) *op. cit.*

³⁷ European Investment Bank (2015c) The Governance of the European Investment Bank, available at: http://www.eib.org/attachments/general/governance_of_the_eib_en.pdf

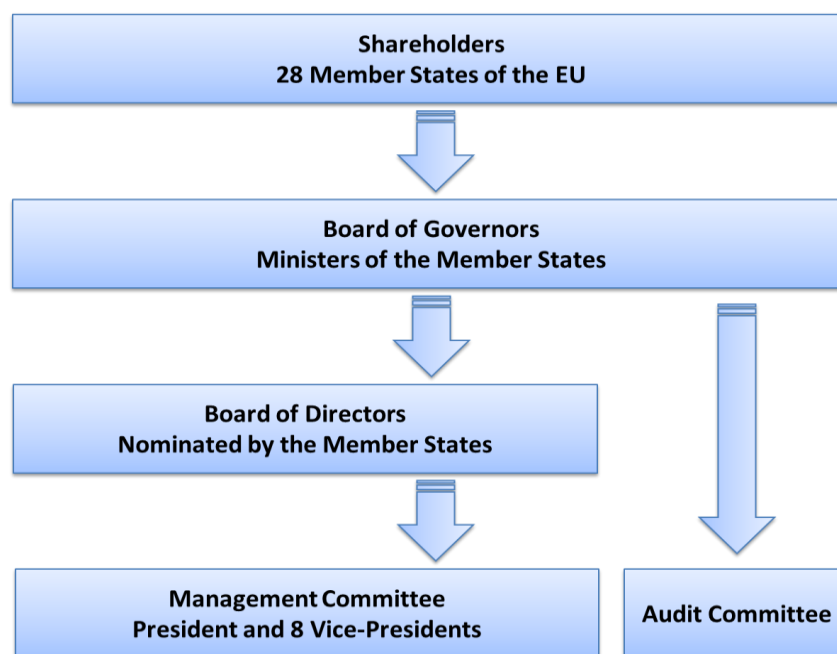
³⁸ Ibid.

³⁹ Ibid.

Table 3: EIB governing bodies and roles

Governing body	Appointment	Main Role	Decisions
Board of Governors	28 Ministers (usually Finance) designated by each Member State.	<ul style="list-style-type: none"> - Guiding principles - High-level policies - Approval of annual accounts - Appointment and remuneration of members of the other governing bodies 	The Board of Governors lays down credit policy guidelines, approves the annual report and financial statements, gives authorisation on a country-by-country basis for the Bank to operate outside the EU and decides on capital increases.
Board of Directors	29 directors, one from each Member State and one from the Commission. Appointed by Board of Governors for renewable period of five years.	<ul style="list-style-type: none"> - Approval of financing operations - Approval of policies and the operational strategy - Control of the Management Committee 	The Board of Directors approves every decision to grant finance (e.g. EIB loan or guarantee) and the borrowing programme. It reviews borrowing and treasury operations and exerts control over the activities of the Management Committee.
Management Committee	One President and eight vice presidents (usually four from larger Member States and five nominated from other Member States).	<ul style="list-style-type: none"> - Day-to-day management of the Bank under the authority of the EIB President 	Management Committee members are solely responsible to the Bank and independent in the performance of their duties. Staff come under the direct authority of the President.
Audit Committee	Six members and maximum of three observers appointed for a non-renewable six-year period.	<ul style="list-style-type: none"> - Auditing of the annual accounts - Verifying that the Bank's activities conform to best banking practice 	The Audit Committee is an independent body, directly answerable to the Board of Governors. It is responsible for verifying that the operations of the Bank have been conducted and its books kept in a proper manner. The Audit Committee is also responsible for auditing the Bank's accounts. It verifies that the Bank's activities conform to best banking practice applicable to it.

Source: Adapted from EIB (2015) *The Governance of the European Investment Bank*, EIB, Luxembourg

Figure 3: The EIB governance structure

Source: European Investment Bank (2014d) *EIB 2014 Annual Report*, European Investment Bank, Luxembourg

Figure 4: EIB (b)lending project cycle

Source: European Investment Bank (2015e) *Governance of the EIB*, European Investment Bank, Luxembourg

EIB operations are subject to a number of controls:⁴⁰

- the Board of Governors is composed of Member State representatives and oversees the Bank's activities;
- the European Parliament Committee for Budgetary Control (CONT) is responsible for controlling the EIB's financial activities, which involves examining its annual report;
- EIB activities are also regularly evaluated by its internal operations evaluation division; and
- there are mechanisms that allow individuals to complain about possible maladministration (mechanisms include: the EIB's internal Complaints mechanism, the European Ombudsman for maladministration; and file an action with the Court of Justice of the EU⁴¹).

⁴⁰ Ibid.

⁴¹ The EIB also has a Whistleblowing policy (for more information see: http://www.eib.org/attachments/strategies/eib_s_whistleblowing_policy_en.pdf)

The EIF has a separate governance structure and legal personality, governed by the EIF Statutes. The chief executive is responsible for the day-to-day management of the EIF and reports to a Board of Directors whose members are designated by the three shareholder groups (see Section 2.1.2). The Board of Directors consists of seven members and is accountable to the Annual General Meeting.

In terms of its selection of operations, the EIF only offers financing through intermediaries (e.g. banks, guarantee, leasing and microfinance institutions, private equity and venture capital funds) and does not directly provide finance to final recipients.

2.2 The evolving legal basis for EIB activities in Cohesion Policy

The EIB has been involved in the delivery of Cohesion Policy since the reform of the Structural Funds in 1988. Over successive funding periods, its role has developed with regard to the implementation of FIs in particular. **As FIs have become more prominent and complex, demand for the EIB's expertise, skills and know-how in this field has grown, and its involvement in developing FIs increasingly requested by Member States and the Commission.**⁴² However, the EIB is also more fundamentally involved in supporting and promoting the European Union's cohesion objectives under the TFEU. Article 174 (ex Article 158 TEC) of the 2012 consolidated version of the TFEU articulates the Union's 'cohesion' objectives regarding the reduction of disparities between regions. Further to this, Article 175 (ex Article 159 TEC) specifies that the Union will support its cohesion objectives 'through the Structural Funds (European Agricultural Guidance and Guarantee Fund, Guidance Section; European Social Fund; European Regional Development Fund), the European Investment Bank and the other existing Financial Instruments'. As such, the role of the EIB is explicitly linked to the EU's cohesion objectives in the EU's constitutional foundation.

2.2.1 Pre-2000

Prior to 2000, there was no documented provision for the EIB to be directly involved in the implementation of the Structural Funds (i.e. mandate management – see Section 2.4). The rules governing the 1994-99 funding period were laid out in a series of regulations, including the 'framework regulation'; Council Regulation (EEC) No. 2081/93, the title of which referred to the tasks of the Structural Funds and their coordination with the operations of the EIB.⁴³ As inferred by this title, the EIB was then an institution which operated very much alongside the European Commission, providing measures such as loans. Whilst the framework regulation sought to promote complementarity between the Structural Funds and the actions of the EIB (for example, they both sought to provide support to Objective 1 regions)⁴⁴, there was limited integration between their actions. The regulation refers to **the EIB as a provider of financial assistance alongside the Structural Funds** and 'other existing Community financial instruments'.⁴⁵

⁴² It has been argued that the expansion of EIB activities in general is based on the somewhat vague notion that it operates 'in the interest of the Union'. for example see: Dunnett (1994) 'The European Investment Bank: Autonomous instrument of common policy?' *Common Market Law Review*, 31, p. 721; Hachez N and Wouters J (2012) *op cit*.

⁴³ EEC (1993) Regulation No. 2081/93 of 20 July 1993 amending Regulation (EEC) No. 2052/88 on the tasks of the Structural Funds and their effectiveness and on coordination of their activities between themselves and with the operations of the European Investment Bank and the other existing financial instruments, OJ L 193, 31.7.1993, pp. 5–19.

⁴⁴ Refers to those regions in the Union lagging behind in their development, undergoing restructuring or facing specific geographical, economic or social problems.

⁴⁵ The use of the term 'financial instruments' in the Framework regulation did not refer to repayable (revolving) funds in the contemporary sense, but to financial assistance mechanisms in general.

2.2.2 2000-2006 period

The general provisions governing the Structural Funds in the 2000-06 period, as laid out in Council Regulation (EC) No. 1260/1999,⁴⁶ were again less explicit in their provisions regarding the role of the EIB in delivering Structural Funds. Article 10(2) regarding 'coordination' specified that, 'In order to maximise the stimulus provided by the budget resources deployed, making use of appropriate financial instruments, the Community assistance provided in the form of **grants may be combined in an appropriate way with loans and guarantees**. This combination may be determined in conjunction with the EIB'. However, **the use of financial instruments within Structural Funds programmes was very limited during this period**. There were also multiple implementing regulations covering various aspects of the implementation of the Structural Funds in 2000-06, none of which touched on the role of the EIB.

During this period, the EIB began to play a more significant role in supporting the delivery of the Structural Funds. It was mandated to **provide expertise and advice**; for example, EIB representatives were able to participate in Programme Monitoring Committees in advisory roles⁴⁷ and the EIB could be involved in the preparation of programming documents.⁴⁸ Furthermore, the Commission had to consult the EIB on 'major projects' where necessary.⁴⁹ However, EIB was less involved in the detailed implementation of Cohesion Policy and particularly financial instruments.

2.2.3 2007-13 period

The EIB played a more substantial role in the implementation and delivery of FIs under the Structural Funds in the 2007-13 period. However, while the regulatory framework provided some rules and conditions as to the role of the EIB at the start of the period, this evolved during the course of 2007-13 as the regulations were amended. Article 36 of the general regulation for the 2007-13 period (Council Regulation (EC) No. 1083/2006⁵⁰) laid out the rules regarding the participation of the EIB and EIF. Article 44 set out the broad provisions concerning FIs, and specified that financial institutions such as the EIB and EIF could manage Holding Funds (HFs). Where HFs were being set up, the Member State or the managing authority had several implementation options; one of these was to 'award... a grant, defined for this purpose as a direct financial contribution by way of a donation... to the EIB or to the EIF' (Article 44(b)(i) of the original iteration of the general regulation),⁵¹ This rule was subsequently amended through Council Regulation (EC) No. 284/2009 of 7 April 2009. This amendment aimed to strengthen 'the possibility of provision by the European Investment Bank (EIB) and the European Investment Fund (EIF) of assistance to Member States in the preparation and implementation of operational programmes' and 'take account of the status of the EIB and EIF as financial entities recognised by the Treaty, when financial engineering operations are organised involving them as holding funds, it should be possible to directly award them a contract'.⁵² The same

⁴⁶ Council Regulation (EC) No. 1260/1999 of 21 June 1999 laying down general provisions on the Structural Funds OJ L 161, 26.6.1999, pp. 1-42.

⁴⁷ Council Regulation (EC) *op cit.*, Article 35.

⁴⁸ Council Regulation (EC) *op cit.*, Article 15 (5).

⁴⁹ Council Regulation (EC) *op cit.*, Article 26.

⁵⁰ Council Regulation (EC) No. 1083/2006 of 11 July 2006 laying down general provisions on the European Regional Development Fund, the European Social Fund and the Cohesion Fund and repealing Regulation (EC) No 1260/1999. OJ L 210, 31.7.2006, pp. 25 - 78.

⁵¹ Council Regulation (EC) No. 1083/2006, *op. cit.*

⁵² Council Regulation (EC) No. 284/2009 of 7 April 2009 amending Regulation (EC) No. 1083/2006, OJ L 94, 8.4.2009, pp. 10-12.

amendment added to Article 46(1) a second sub-paragraph to recognise that 'The EIB or the EIF may, upon request of the Member States, take part in technical assistance activities' related to operational programme activities.⁵³

In 2007-13, the management costs and fees paid to bodies implementing FIs were calculated on the basis of services provided (e.g. investment strategy, number of FIs and number intermediaries, etc.) but are contractually expressed and reported as a percentage of the OP contribution to the HFs and FIs and were, in many cases, decoupled from their performance.⁵⁴ Management costs and fees paid to the EIB were limited by the thresholds laid out in Implementing Regulation 1828/2006.⁵⁵ These varied from a maximum of two to four percent of the funds allocated from the respective operational programme depending on the structure or facility.⁵⁶

In the context of the ongoing effects of the financial crisis and economic downturn, the general regulation was again amended to insert a new Article 36a, which **introduced new 'risk-sharing instruments'**. This Article was to be implemented as an exception to the shared management approach applying to other Structural Funds expenditure. The amendment was the result of a request by Eurozone Member States to enhance synergies between EIB loan programmes and EU investment in the Member States most affected by the crisis.⁵⁷ The measure was foreseen for countries in receipt of special macro-economic assistance (at that time, Greece, Ireland and Portugal), with the aim of supporting the initiation of projects co-funded by the European Regional Development Fund (ERDF) or the Cohesion Fund, which were unable to proceed due to financial restraints (for example, infrastructure projects that generate net revenues, the value of which could not be covered by Cohesion Policy grants, or investments for which the maximum allowable public aid was capped by State aid rules).⁵⁸ The amendment foresaw a possible role for the EIB, as the 'risk-sharing instruments' could be established through cooperation agreements concluded by the Commission with the EIB (or with national or international financial bodies).

As noted above, the original legislative provisions in 2007-13 were brief on the role of the EIB (and on the implementation of financial instruments in general). In addition to **a series of regulatory amendments, four 'guidance notes' on financial instruments were issued** by the Commission's Coordination Committee of the Funds (COCOF).^{59,60} The COCOF

⁵³ Council Regulation (EC) No. 284/2009, *op. cit.*

⁵⁴ European Commission (2015a) Guidance for Member States on Article 42(1)(d) CPR – Eligible management costs and fees – for financial instruments managed in accordance with Article 38(4)(b) CPR; DRAFT, EGESIF_15-0021-00, 08/06/2015.

⁵⁵ Commission Regulation (EC) 1828/2006 setting out the rules for the implementation of Council Regulation 1083/2006 laying down general provisions on the European Regional Development Fund, the European Social Fund and the Cohesion Fund and of Regulation (EC) No. 1080/2006 of the European Parliament and of the Council on the European Regional Development Fund, available at: <http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:02006R1828-20111201&from=EN>

⁵⁶ Ibid.

⁵⁷ European Commission (2012c) Commission welcomes Parliament's endorsement of risk-sharing instruments for Member States worst hit by the financial crisis, to contribute to investment and job creation, Press Release IP/12/383 19 April 2012.

⁵⁸ Ibid.

⁵⁹ In 2007-13, COCOF was a standing committee of the European Commission attended by officials from Member States, with management and consultative powers. COCOF assisted the Commission in taking implementing decisions delegated to it by the Council and the European Parliament under the General Regulation (Council Regulation No 1083/2006).

⁶⁰ European Commission (2007) Note of the Commission Services on Financial Engineering in the 2007-13 programming period, DOC COCOF/07/0018/01-EN FINAL of 16 July 2007; European Commission (2008) Guidance Note on Financial Engineering, COCOF 08/0002/03-EN of 22 December 2008; European Commission (2011a) Guidance Note on Financial Engineering Instruments under Article 44 of Council Regulation (EC) No. 1083/2006, COCOF_10-0014-04-EN of 21 February 2011, and European Commission (2012b) Revised Guidance

notes provided additional guidance and clarification for managing authorities on the implementation of financial instruments under Structural Funds programmes. The first note confirmed that use of the EIB or EIF to manage Holding Funds was encouraged by the Commission, reflecting the special status of the EIB and EIF 'as Community bodies which emanate from the EC Treaty'.⁶¹ The reasons why the EIB and EIF are not subject to public procurement rules were elaborated in the subsequent notes.

It is worth noting that, during the period, the 'umbrella' Financial Regulation which lays out general rules regarding the EU budget underpinned the provisions with regard to the EIB and EIF's potential role in facilitating and implementing FIs under Structural Funds programmes, referred to above.⁶²

2.2.4 2014-20 period

In the 2014-20 period, the Common Provisions Regulation (CPR) lays out the general conditions and objectives governing the ESI Funds (the ERDF, ESF, the Cohesion Fund, the EAFRD and the EMFF).^{63, 64} This includes several references to the role of the EIB in Cohesion Policy implementation. The CPR defines the EIB as 'the European Investment Bank, the European Investment Fund or any subsidiary of the European Investment Bank'.⁶⁵

Article 31 of the CPR sets out broad requirements regarding the 'participation of the EIB', such as its capacity as an advisory body. Article 38 of the CPR applies specifically to the implementation of FIs and outlines the direct role which the EIB can adopt. Article 38(4)(b)(i) in particular specifies that a managing authority may entrust implementation tasks to the EIB. In such cases, the EIB is bound by the same liabilities, conditionalities and responsibilities applicable to other bodies that can implement HFs. These include, for example, the requirement either to open separate fiduciary accounts in the name of the managing authority to manage the transactions of the FI, or to 'set up the financial instrument as a separate block of finance' within the organisation (i.e. the EIB). However, where the EIB is designated as the implementing body responsible for a HF, the managing authority is obliged to mandate a firm(s) to carry out on-the-spot verifications and audits.⁶⁶

Article 39 of the CPR refers to the contribution which can be made by the ERDF (and the EAFRD) to uncapped joint guarantee and securitisation financial instruments in favour of SMEs where they are implemented by the EIB. The Regulation specifies that requests for payment to the Commission can be 100 percent of the amounts paid to the EIB, thus no national co-financing is required for allocating ERDF or EAFRD funds to the SME Initiative.⁶⁷

Note on Financial Engineering Instruments under Article 44 of Council Regulation (EC) No. 1083/2006, COCOF_10-0014-04-EN, Revised Version 08/02/2012.

⁶¹ European Commission (2007) *op. cit.*

⁶² Regulations (EU, EURATOM) No. 966/2012 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 25 October 2012 on the financial rules applicable to the general budget of the Union and repealing Council Regulation (EC, EURATOM) No. 1605/2002, OJ L 298, 26.10.2012, pp. 1–96.

⁶³ Regulation (EU) No. 1303/2013 of the European Parliament and the Council of 17 December 2013 laying down common provisions... OJ L 347, 20.12.2013, pp. 320–469, available at: <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2013:347:0320:0469:EN:PDF>

⁶⁴ There is also a series of Fund-specific Regulations, numerous Delegated Regulations and Implementing Acts, several relating specifically to FI implementation (see http://ec.europa.eu/regional_policy/en/information/legislation/regulations/).

⁶⁵ Regulation (EU) No. 1303/2013, *op. cit.* Art. 2.

⁶⁶ Commission Delegated Regulation (EU) No. 480/2014 of 3 March 2014, available at: http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=uriserv:OJ.L_.2014.138.01.0005.01.ENG

⁶⁷ Regulations (EU) 1303/2013 Art. 39(7), Also see: European Commission (2014c) Financial instruments in ESIF programmes 2014-2020; A short reference guide for Managing Authorities, Ares(2014)2195942, p. 12.

If not allocating ESI Funds to an EU-level instrument/the EU SME Initiative, the managing authority has several FI implementation options. They can undertake implementation tasks *directly* (for loans and guarantees only); they can *invest* in the capital of existing or newly created legal entities dedicated to implementing FIs and get them to undertake implementation; or they can *entrust* implementation tasks to several bodies. Entrusted entities can include the EIB, international financial institutions (IFI) or publically-controlled Member State financial institutions; or bodies governed by public or private law.⁶⁸ Articles 37(1), 38(4) and 38(5) of the CPR outline a series of general principles and specific provisions with which managing authorities must comply when selecting bodies implementing financial instruments. Delegated Regulation No. 480/2014⁶⁹ provides further detail on the selection of bodies and the management and control of FIs supplementing the CPR. Where the option to *entrust* is chosen and a body other than the EIB or EIF is used, Articles 7(1) and 7(2) specify a number of minimum requirements. Article 7(3) refers to the selection procedure of financial intermediaries by bodies implementing funds of funds (including by the EIB and the EIF).

A competitive market process may also be applied, based on the discretion of the Member State. This should be in line with national and EU public procurement rules. However, it should be noted that the 'entrust' options outlined above fall outside procurement rules (i.e. direct contracts with the EIB and EIF, and if certain conditions are met, IFIs and public owned ('in-house') entities).

Some of the Commission guidance accompanying the legislation was still being prepared at the time of writing (September 2015). For example, a guidance on management costs and fees for financial instruments under Article 38(4)(b) and Article 42 ('Eligible expenditure at closure') of the CPR has been released to the EGESIF, the Expert Group on European Structural and Investment Funds.⁷⁰ A new approach to the calculation of management costs and fees for organisations implementing FIs has been introduced in the 2014-20 period. Fees are now partly calculated on the basis of performance, under Article 42(1)(d), (2), (5) and (6) of the CPR. The implications for the EIB (and other bodies such as national financial institutions) are that management costs and fees are linked to performance criteria which must be defined taking into consideration certain criteria including the rate of disbursement of contributions and 'the contribution of the financial instrument to the objectives and outputs of the programme', amongst others. Delegated Regulation No. 480/2014⁷¹ also lays out thresholds (i.e. caps) for costs and fees which the managing authority cannot exceed (Article 13).

Additional draft Commission guidance has been released to EGESIF on the selection of bodies implementing FIs, including funds of funds.⁷² This confirms that contracts can be concluded with the EIB and EIF directly by managing authorities without the need for a competitive process/public procurement. Further, where this is the case, the EIB/EIF can select financial intermediaries to manage FIs on the basis of its internal procedures.

⁶⁸ CPR Article 38 (4)

⁶⁹ Commission Delegated Regulation (EU) No. 480/2014 of 3 March 2014, Article 9 available at: http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=uriserv:OJ.L_.2014.138.01.0005.01.ENG

⁷⁰ European Commission (2015a) *op cit.*

⁷¹ Commission Delegated Regulation (EU) No. 480/2014 of 3 March 2014, available at: http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=uriserv:OJ.L_.2014.138.01.0005.01.ENG

⁷² European Commission (2015b) Guidance for Member States on the selection of bodies implementing FIs, including funds of funds; DRAFT, EGESIF_15-0033-00, 13/10/2015.

Additionally, the EIB can be involved in the monitoring and reporting processes of ESIF programmes. If the EIB contributes to a programme it may participate in the work of the monitoring committee in an advisory capacity (CPR Art. 48 (4)).⁷³ Moreover, the progress reports to be submitted by the Member States must demonstrate how implementation mechanisms ensure coordination between ESIF Funds and other Union national funding and EIB instruments (Art. 52 (2)(b)).

The CPR also refers to the EIB's role in relation to technical assistance. The EIB can provide assistance in terms of:

- project preparation and appraisal (Art. 58 (2)(a));
- evaluations, expert reports, statistics and studies (Art. 58(2)(e)); and
- the strengthening of national and regional capacity regarding investment planning, needs assessment, preparation, design and implementation of financial instruments, joint action plans and major projects (Art. 58 (2)(j)).

It is worth noting that the EIB's role in providing technical assistance for Cohesion Policy operations extends to operations that are not explicitly laid down in the Regulation (e.g. JASPERS).

2.3 The EIB advisory and capacity-building role

The previous sections have outlined how the EIB's role in implementing Cohesion Policy grew over successive programme periods, particularly in relation to the implementation of financial instruments, and was underpinned by the regulatory provisions in place during each period. However, it was during the 2007-13 programme period that FIs became a more significant feature of Cohesion Policy implementation, thus boosting the role of the EIB.

The EIB's remit goes beyond that of a financial institution. **In addition to being a bank, it provides knowledge and advises on good practice in regional development (for example as part of JASPERS it advises beneficiaries on major project application).**⁷⁴

The EIB's role in providing analytical expertise and ad-hoc advice has been an important area of expansion. In the 2000-06 period, the EIB began providing assistance for setting up FIs (for example in North West England, UK). However, in the 2007-13 period this role became more structured with dedicated units and staff to provide support, and its advisory role also expanded into areas beyond FIs. The EIB provides TA for major projects, particularly in central, eastern and southern European countries, and is involved in other capacity-building activities. For 2014-2020, the EIB also implements the technical assistance platform, *fi-compass*, established in partnership with the European Commission. *fi-compass* is financed from the EU budget to provide generic advisory and capacity-building services on the implementation of ESIF financial instruments and microfinance under the EaSI programme for Member States, MAs and microfinance providers (see Section 6.4). The following section discusses the role of the EIB in an advisory and technical assistance capacity.

2.3.1 JESSICA and JEREMIE initiatives

The JESSICA (Joint European Support for Sustainable Investment in City Areas) initiative was created in 2007 to help managing authorities set up investment funds supporting

⁷³ In practice the EIB already performed a similar role in some instances in 2007-13 (for example the SPL contractual agreement in 2007-13 period evolved into monitoring, reporting and advising).

⁷⁴ European Parliament (2015b) Report on the European Investment Bank –Annual Report 2013, A8-0057/2015.

sustainable urban development, delivered to projects via Urban Development Funds (UDFs) and, if required, HFs. **The creation of JESSICA was a policy initiative of the European Commission developed jointly with the EIB and in collaboration with the Council of Europe Development Bank (CEB).** The main perceived benefits of setting up funds for urban development projects were seen as being:

- to make Structural Funds support more efficient and effective by using 'non-grant' financial instruments, thus creating stronger incentives for successful project implementation;
- to mobilise additional financial resources for public-private partnerships and other urban development projects with a focus on sustainability/recyclability; and
- to use financial and managerial expertise from international financial institutions such as the EIB.

Under the JESSICA initiative, the EIB was involved in

- advising and assisting national, regional and local authorities in implementing funds supporting urban development projects using ERDF or ESF; this included carrying out evaluation studies (see Section 3.4); and
- promoting the use of Urban Development Funds and best practice across Europe.

The JEREMIE (Joint European Resources for Micro-to-Medium Enterprises) initiative was created in 2006 to support national or regional managing authorities in using part of their EU Structural Funds to finance small and medium-sized enterprises by means of equity, loans or guarantees, through a revolving HF acting as an umbrella fund.

The EIF had several roles in relation to financial instruments set up for enterprise support. These financial instruments were intended to be individually tailored to the needs of each Member State or region, following an **evaluation of market failures** and the appropriate remedies in the context of its OPs. These evaluations could be carried out by the EIF.

The EIB and EIF set up **dedicated task forces for the JESSICA and JEREMIE initiatives** at the start of the 2007-13 programme period. These teams consisted of 10-15 people drawn from the Bank's technical support divisions. The EIF established a separate unit for JEREMIE. The services were to an extent intertwined with the EIB's capacity-building role. One of the main advisory services offered by the EIB in the 2007-13 period was its analytical support function in terms of undertaking gap analyses and feasibility/evaluation studies for FIs under these initiatives (see also Section 3.4). By the end of 2011, c. **65 JESSICA feasibility studies** in 21 Member States had been conducted with the support of the EIB and financed by the Commission.⁷⁵ Additionally, the EIF undertook **55 gap analyses for SME support** (JEREMIE) in 19 EU Member States (mostly in Spain, France and Poland) early in the 2007-13 programme period.⁷⁶

Further, in response to the lack of experience and capacity in managing authorities with regard to implementing FIs, the EIB and EIF worked with DG REGIO to develop the **JEREMIE and JESSICA Networking Platforms** (launched in 2009) to support the exchange of experience and best practice in implementing FIs.⁷⁷

⁷⁵ DG REGIO of the European Commission financed 85 percent of the studies' cost and the EIF the remaining 15 percent.

⁷⁶ European Court of Auditors (2012) Financial instruments for SMEs co-financed by the European Regional Development Fund, Special Report No. 2, Luxembourg.

⁷⁷ Michie and Wishlade (2011) *op. cit.*

In 2014-20 the generic Technical Assistance for ESIF financial instruments, including those for urban development and energy efficiency is provided under *fi-compass* (see Section 6.4). However, the term 'JESSICA' continues to be associated with urban development FIs also in the 2014-20 period. Similarly, the technical support on ESIF financial instruments for enterprises is available through *fi-compass* in the 2014-20 period. 'JEREMIE' also remains in use by certain MAs or fund managers as shorthand for financial instruments for enterprise support, including when set up using HFs (or fund of funds, as HFs are known in the 2014-20 period).

2.3.2 JASPERS

JASPERS (Joint Assistance to Support Projects in European Regions) is a joint initiative by the Commission (DG REGIO), EIB and European Bank for Reconstruction and Development (EBRD),⁷⁸ initially established in late 2005. The Memorandum of Understanding⁷⁹ signed by the EIB with the Commission and EBRD in 2006 and the Framework Partnership Agreement signed by the Commission and EIB in 2014 state that the main objective of the JASPERS initiative is to support Cohesion Policy and to improve the quality of investment by providing technical advice to project promoters.

JASPERS provides independent advice to beneficiary countries - 16 EU Member States and three IPA countries -⁸⁰ in order to prepare high-quality major projects of above €75 million eligible costs for transport and above €50 million eligible cost for other sectors, which will be co-financed by ESIF. JASPERS can also work on smaller assignments below these thresholds and horizontal assignments that are not related to a specific project. JASPERS has headquarters in Luxembourg but operates to a large extent from external offices in Brussels, Bucharest, Vienna, Warsaw and Sofia.

JASPERS is located within the EIB (Advisory Services Department). Oversight is provided by a Steering Committee which includes representatives from DG REGIO, the EIB and the EBRD. The Steering Committee meets at least twice a year. It is important to note that the JASPERS facility provides advice for Member States on project applications, whereas the decision to provide grant assistance remains with the European Commission.⁸¹

At the end of 2014, the JASPERS initiative was reorganised into seven divisions, intended to ensure consistency in advice delivered across the beneficiary Member States:⁸²

- Roads;
- Rail, Air and Maritime;
- Water and Waste;
- Energy and Solid Waste;
- Smart Development;
- Networking and Competence Centre; and
- Independent Quality Review (IQR).

⁷⁸ Between July 2008 and December 2013, KfW Bankengruppe was also a partner of JASPERS.

⁷⁹ European Commission, European Investment Bank and European Bank for Reconstruction and Development (2006) Memorandum of Understanding in respect of Joint Assistance in Supporting Projects in European Regions (JASPERS) between the European Commission, the European Investment Bank and European Bank for Reconstruction and Development, available at: <http://www.eib.org/attachments/documents/mou-jaspers.pdf>

⁸⁰ EU Member States: Bulgaria, Croatia, Cyprus, Czech Republic, Estonia, France, Greece, Italy, Latvia, Lithuania, Hungary, Malta, Poland, Romania, Slovenia, and Slovakia. IPA beneficiaries: Montenegro, Serbia and FYROM

⁸¹ AECOM Economics (2012) *op. cit.*

⁸² For more information, see: <http://www.jaspers-europa-info.org/content/organisational-structure> also see: European Investment Bank (2015a) *op. cit.*

Assistance from the JASPERS initiative may cover:⁸³

- **project development support for Member States:**
 - upstream project screening – assessment of the viability and suitability of projects for EU grant finance;
 - project development – all stages of the project cycle from pre-feasibility and feasibility through to final grant applications;
- **independent Quality Review of projects** – includes evaluation of strategic, technical, economic and financial aspects of projects to ensure compliance with EU policies and legislation - and is a new function of JASPERS provided by the Common Provisions Regulation for 2014-2020, under which Member States may notify the Commission of major projects which have received a positive review by independent experts;⁸⁴
- **post-submission appraisal** - all Major Projects submitted directly to the Commission will be appraised by JASPERS;
- **horizontal assignments** – guidance for beneficiaries on how to prepare projects to take into account relevant issues; report/workshops/presentations on issues related to a whole sector or series of projects (e.g. cost-benefit analysis (CBA), State aid, environment, funding-gap methodology);
- **strategic support** – guidelines or generic documentation; comments on or recommendations for draft strategic documents; project pipeline identification; and
- **capacity-building, including Competence Centre** – operational support/training; guidelines or generic documentation; training workshops and workshop documentation.

JASPERS also provides services in the context of the Connecting Europe Facility (CEF) and can assist the European Investment and Advisory Hub (EIAH).

2.3.3 JASMINE

The **JASMINE (Joint Action to Support Microfinance Institutions)** initiative was established in 2007 to help non-bank microfinance institutions to scale up their operations and maximise the impact of microfinance products on microenterprises development and unemployment reduction within the European Union. The overall financial envelope for 2008-13 was EUR 6 million. The facility was primarily funded by DG Regio (95 percent) and co-financed by the EIF (5 percent).

Managed by the EIF, the instrument has provided free technical assistance selected European microcredit providers. The JASMINE technical assistance 'package' comprises:⁸⁵

- (i) **an institutional assessment or a rating exercise**, delivered by specialised microcredit rating agencies based in Europe (MicroFinanza Rating and Planet Rating); and
- (ii) **training** delivered by the Microfinance Centre (MFC) in association with the Deutsches Mikrofinanz Institut (DMI).

⁸³ For more information, see: <http://www.jaspers-europa-info.org/content/what-we-offer> also see: European Investment Bank (2015a) JASPERS in the 2014-2020 programming period, available at: http://www.eib.org/attachments/thematic/jaspers_leaflet_2015_en.pdf

⁸⁴ See also: Regulations (EU) No. 1303/2013 *op. cit.*, art. 101

⁸⁵ European Commission (2013c) *Evaluation of JASMINE Technical Assistance Pilot phase*, final report, available at: http://ec.europa.eu/regional_policy/sources/thefunds/doc/instruments/jasmine/jasmine_evaluation_final_report.pdf

Business development tools and services made available to the entire microcredit sector comprise:⁸⁶

- (i) the **European Code of Good Conduct for Microcredit Provision**, encapsulating recognised good practice in the EU microcredit sector;
- (ii) a **JASMINE Helpdesk** to assist all individuals and institutions looking for specific information on the microcredit sector in the EU;
- (iii) microcredit workshops to disseminate good practice in microcredit in the EU; and
- (iv) **JASMINE OnLine**, a web-based information platform (under development at time of writing in September 2015).

The JASMINE Helpdesk and specialised workshops are delivered by the European Microcredit Network (EMN).

The instrument has demonstrated a complementarity with existing and forthcoming EU financing programmes in 2014-20, such as financial instruments under the European Progress Microfinance Facility,⁸⁷ as well as the EU Programme for Employment and Social Innovation (EaSI).

For the 2014-20 period, the generic technical assistance for microfinance is part of the *fi-compass* advisory platform (see Section 6.4).⁸⁸

2.3.4 Other Technical Assistance

In the context of Structural Programme Lending (SPL) (see Section 2.5.1), the EIB also offers other technical assistance to managing authorities. Depending on the beneficiaries' implementation capacity, the **Finance Contract for a SPL can include risk-mitigation measures such as a Project Implementation Unit (PIU) and/or technical assistance (TA) (see Box 2)**. The PIU functions as a coordination centre for the EIB and national governments (including Cohesion Policy implementation bodies). According to EIB staff interviewed for this study, PIUs can be a major factor in the success of SPL implementation.

Box 2: Technical Assistance pilot initiative in Greece

In Greece, the EIB developed a new TA pilot initiative for SPL. The financed the SPL with EUR 2 billion for co-financing, comprising small-and-medium projects throughout the Greek regions. As part of the SPL, technical and advisory assistance for the improvement of project risks assessment and implementation through the collaboration of EIB experts seconded to the Greek administration supporting the PIU was set up. This led to the identification of the potential for projects implemented by local beneficiaries and identified best practices. The monitoring activities of the TA pilot initiative were also used in Portugal in early 2014.

Source: EPRC interviews

⁸⁶ Ibid.

⁸⁷ The European Progress Microfinance Facility (Progress Microfinance), launched in 2010, increases the availability of microcredit – loans below € 25, 000 – for setting up or developing a small business. The facility is supported by the European Commission and the European Investment Bank, and managed by the European Investment Fund.

⁸⁸ European Investment Fund (2014c) What is Jasmine? http://www.eif.org/what_we_do/microfinance/JASMINE/

2.4 EIB holding fund management

The role of the EIB (and EIF) in mandate management⁸⁹ for FIs in Cohesion Policy is relatively new. **There do not appear any cases in the 2000-06 period where the EIB had a management role in FIs financed with Cohesion Policy funding.** However, during the 2007-13 period, managing authorities were able to appoint the EIB or EIF to manage holding funds (and FIs) under their Cohesion Policy programmes. **The EIB could manage FI HFs for urban development** (Article 44 (1)(b)) (colloquially also referred to as JESSICA FIs) and **the EIF could act as HF manager for enterprise support FIs** (Article 44 (1)(a)) (colloquially also referred to as JEREMIE FIs).

The urban development FIs supported sustainable urban development by supporting projects in the following areas:

- urban infrastructure – including transport, water/waste water, energy;
- heritage or cultural sites – for tourism or other sustainable uses;
- redevelopment of brownfield sites – including site clearance and decontamination;
- creation of new commercial floor space for SMEs, IT and/or R&D sectors;
- university buildings – medical, biotech and other specialised facilities; and
- energy efficiency improvements.

Contributions could be made from ERDF and ESF to UDFs and invested in public-private partnerships or other projects included in an integrated plan for sustainable urban development. These investments could take the form of equity, loans and/or guarantees. Alternatively, managing authorities could decide to channel funds to UDFs using HFs set up to invest in several UDFs.⁹⁰

The EIF could also act as a manager for holding funds for enterprises when requested by the Member State or regional authorities to do so.⁹¹ Sources of finance outside Structural Funds, including the EIB, the EIF (which could participate in JEREMIE at the FI level if not managing the HF) and the private sector, could also be engaged to maximise the leverage effect.⁹²

The EIF had a 'toolbox' of financial instruments for enterprises which included:⁹³

- guarantees, co-guarantees and counter-guarantees;
- equity guarantees;
- micro-loans;
- export-credit insurance;
- securitisation;
- venture capital;
- business angel matching funds; and
- investment in technology transfer funds.

⁸⁹ Mandate management for central and EIB as well as regional mandates has always been a core activity for the EIF.

⁹⁰ Michie and Wishlade (2011) *op. cit.*

⁹¹ According to the summary report (European Commission 2015d), the EIF appears to be managing a specific fund in France (PACA). This is a reporting error. The PACA HF is correctly mentioned on the EIF website as a Holding Fund.

⁹² Michie and Wishlade (2011) *op. cit.*

⁹³ The EIF refers to this as the JEREMIE Toolbox

The management and operational structures of FIs set up in 2007-13 vary considerably from country to country. At the end of 2014, a total of 73 holding funds were reported by the Managing Authorities to the European Commission, of which 28 involved the EIB or EIF.⁹⁴ However, there are discrepancies between the reported data and information from the EIB's website.

According to the EIB in 2007-13, the EIB had mandates for managing 18 HFs set up for urban development, although this number fell to 16 during the period (see Table 4).⁹⁵ At the end of 2014,⁹⁶ the EIF was HF manager for 15 funds set up under the enterprise FIs (see Table 5).⁹⁷ Generally, the mandates for enterprise HFs funds were signed earlier – between 2008 and 2011 in the majority of cases – than was the case for urban development FIs, where the first HFs were not established until 2010. **Both enterprises and urban development HFs offer a variety of products including loans, guarantees and in a more limited number of cases equity.** Enterprise FI HFs tend to have a commitment period until mid-2016, but in some cases the commitment takes into account a longer legacy period (e.g. the period in which recycled funds from projects are expected to reach the fund). The EIB can provide loan capital to funds set up under both initiatives.

⁹⁴ European Commission (2015d) *op cit.*

⁹⁵ The Funding Agreements between the EIB and the managing authorities for Moravia-Silesia and West Pomerania were signed for a pre-determined period, with the aim of assisting the managing authorities to set up an optimal fund structure and select appropriate financial intermediaries. In 2014, these goals were achieved, and when the funds became fully operational the managing authority decided to take over their management. Therefore, the number of mandates for EIB HFs was reduced from 18 to 16.

⁹⁶ European Commission (2015d) *op cit.*

⁹⁷ In 2011 and 2012, management of two HFs was transferred to the relevant managing authority.

Table 4: Holding funds managed by the EIB (at 31 December 2014)

HF	Urban Development Funds	Year	Amount signed (million)***
HF Bulgaria	Regional Urban Development Fund AD	2011	18.9 (37 BGN)
	Fund for Sustainable Urban Development of Sofia JSC	2012	12.6 (24.6 BGN)
HF Moravia-Silesia*	Contera Urban Development Fund Member State s.r.o.	2012	11.2 (309.3 CZK)
	CMZRB - Českomoravská záruční a rozvojová banka, a .s.	2012	6.2 (171 CZK)
HF Greece	Pancretan Cooperative Bank and TT Hellenic Postbank	2011	15
	National Bank of Greece S.A.	2011	83
	Investment Bank of Greece	2011	49
	EFG Eurobank Ergasias S.A.	2012	67
	Piraeus Bank	2012	39
HF Campania	Iccrea BancaImpresa SPA	2012	31.9
	Banco di Napoli SPA	2012	63.8
HF Sardinia	Fondo Sardegna Energia (Equiter)	2012	33.1
	Banco di Sardegna S.p.A.	2012	33.1
HF Sicily	Fondo di Rigenerazione Urbana Sicilia SRL(Equiter)	2011	90.3
	ICCREA BancaImpresa	2012	53.2
HF Lithuania	Siauliu Bankas AB	2012	18
	Swedbank AB	2010	30
	Siauliu Bankas AB	2010	10
	SEB Bank	2010	6
	VIPA/CPMA	2013	20
	Siauliu Bankas AB	2013	40
	VIPA/CPMA	2013	28
HF Mazovia	Bank Gospodarstwa Krajowego	2012	36.5 (155.9 PLN)
HF Pomerania	Bank Gospodarstwa Krajowego	2011	38.9 (166.5 PLN)
	Bank Ochrony Srodowiska S.A.	2011	16 (68PLN)
HF Silesia	Bank Ochrony Srodowiska S.A.	2011	59 (251.2 PLN)
HF Westpomerania**	Bank Ochrony Srodowiska S.A.	2011	15.6 (64.9 PLN)
	Bank Zachodni WBK SA	2010	19.3 (80.6 PLN)
HF Wielkopolska	Bank Gospodarstwa Krajowego	2011	68.9 (294.6 PLN)
HF Portugal	Banco BPI S.A.	2010	69.8
	Caixa Geral de Depositos S.A.	2011	40.6
	Turismo de Portugal IP	2011	17.1
HF Andalucía	AC JESSICA Andalucía, S.A.	2011	80.5
HF FIDAE (ES)	AC JESSICA FIDAE, S.L.	2014	20
	Banco Bilbao Vizcaya Argentaria SA	2012	32.2
	Banco Santander S.A	2014	20
	Unallocated funds for HF FIDAE	2014	54.3
HF London	Foresight Environmental Fund LP	2011	44.9 (35 GBP)
	Amber Green LEEF LP	2011	6.4 (5 GBP)
	Amber Green LEEF 2 LLP	2011	72.6 (56.5 GBP)
	The Housing Finance Corporation Ltd (THFC)	2013	15.4 (12 GBP)
HF North West England	North West Evergreen LP	2011	63.4 (49.3GBP)
	Chrysalis LP	2012	50 (38.9 GBP)
HF Scotland	Amber Green SPRUCE LP	2011	10.3 (8 GBP)
	Amber Green SPRUCE 2 LLP	2011	51.4 (40 GBP)
Total			1,662.5

Source: EIB website

* Funding agreement ended February 2014

** Funding agreement ended July 2014

***Exchange rate is average rate in year of signing

Table 5: Holding funds managed by the EIF (at 31 December 2014)

Holding fund	Product	Year signed	End of commitment	Amount nominal resources (EUR million)
Bulgaria	Multi****	2009	2025**	349
Calabria (IT)	Loans	2011	2015	45
Campania (IT)	Loans	2008	2015	90
Cyprus	Guarantees	2009	2015	20
Extremadura (ES)	Loans	2012	2015	19
Greece	Multi	2008	2015	250*
Languedoc-Roussillon (FR)	Multi	2008	2015	30
Lithuania – Structural Funds	Equity	2009	2015	42
Lithuania Non-Structural Funds (post 2015)		2013	2024**	25
Malta	Guarantees	2010	2015	12
Provence-Alpes-Côte d’Azur (FR)	Guarantees	2011	2015	20
Romania	Multi	2008	2022**	150
Sicilia (IT)	Loans	2009	2015	60
Sicilia ESF (IT)	Loans	2010	2015	15
Slovakia	Multi	2008	2015	100
Sub-total				1227
Holding Fund management transferred***				
Latvia	Multi	2008	2011	13
Lithuania	Loans/ Guarantees	2009	2012	55
Total				1295

Source: EIF Annual Report 2014.

* Of which €197 million is actively managed

** End of legacy

*** Resources corresponding to the absorbed Structural Funds

**** Multiple products offered

2.5 The EIB’s (B)lending role

The EIB’s (b)lending activities in Cohesion Policy have a long history, with well-developed structures to facilitate the blending of EIB finance with other sources of finance. In financial terms the EIB role as a lender is much greater than its involvement in FIs. The EIB assists Cohesion Policy objectives and regional development more generally through several types of long-term loans.⁹⁸

- **Direct loans (investment loans)** are provided for private or public sector promoters of projects where investment costs generally exceeds EUR 50 million. The financing terms (maturity and grace period) are tailored to the type of investment, and appropriate security is required.
- **Framework Loans (FL)** are instruments for financing multi-component investments where, due to incomplete information being available at the appraisal stage, decisions concerning the financing of specific sub-projects have to be taken after approval of the overall operation by the Board. FLs can be single or multi-sector, single or multi-promoter, financially intermediated or coordinated through a central body. FLs should be differentiated from investment programmes, which are multi-sub-project operations with one (or more) common features (e.g. one sector or objective, such as corporate R&D programmes or infrastructure programmes). Such investment programmes fall under the category of Investment Loan and do not therefore require a two-stage submission to the Management Committee or the Board.

⁹⁸ For more information, see European Investment Bank:
<http://www.eib.org/projects/regions/med/instruments/loans/index.htm>

- **Structural Programme Loans (SPLs)** are a subset of the FL category. SPLs are aimed at co-financing multi-sub-project investments managed by public authorities included within an Operational Programme to meet EU economic and social cohesion objectives and supported by grants from the EU Structural or Cohesion Funds.
- **Intermediated loans** are credit lines to local intermediary banks and leasing bodies, which on-lend in order to finance investment undertaken by SMEs or local authorities. The intermediary adds its own resources to the fund, and loans which include EIB and intermediary funds are offered to projects. In contrast with framework loans, beneficiaries are offered loans at a 100 percent rate (so no co-financing is required).
- **Global loans** typically cover a group of smaller projects with costs below EUR 25 million. These loans are managed by intermediaries, usually a financial institution. Typically, the EIB is less involved in the management of global loans than framework loans.

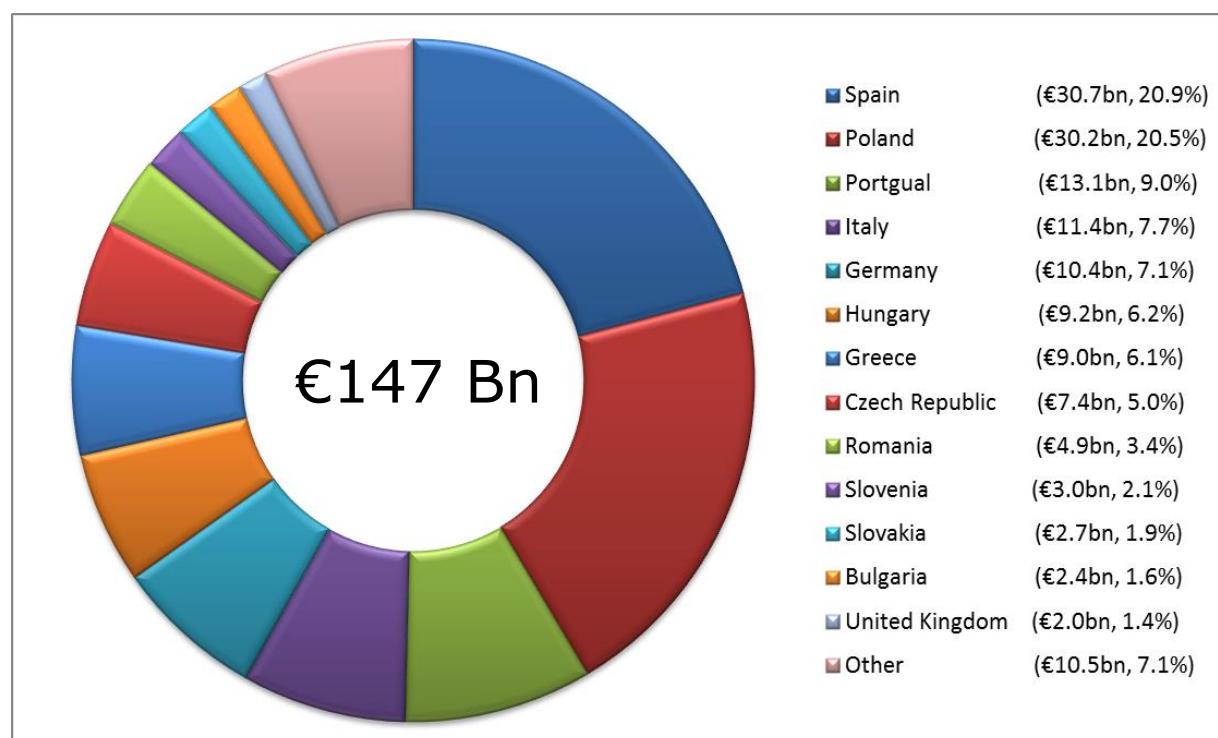
The EIB's lending to support EU social and economic cohesion objectives amounted to EUR 147 billion in 2007-13 (38 percent of total EU lending) (see Figure 5). EIB loans make available co-financing for projects in areas such as: key infrastructure, including trans-European networks and sustainable energy, water, waste management, forestry and food security; small, medium-sized and innovative firms; education and training; information and communication technologies; and municipal lending for improved urban living environments. Loans vary considerably from country to country and depend on the size of the Member State and the number of less-developed regions. However, operations need to be contextualised; size of operations is not equivalent to impact. Spain received the largest amount of funding both in real terms (EUR 30.7 billion) and as a proportion (20.9 percent) of the total EIB cohesion lending, closely followed by Poland.

Lending conditions are subject to a contractual arrangement which is based on risk factors. However, the EIB can also use its lending arrangements to incentivise certain projects that are in line with specific EU policy objectives, for example, it can offer loans at a lower rate to projects that target a specific issue.

The EIB's lending activity is intended to make a wider contribution to regional development and regional convergence in the EU. The Bank's 2014 Statistical Report identifies those projects that contribute to the Bank's 'convergence' objective.⁹⁹ Of 441 projects which the Bank supported, 229 supported its convergence objective with a total value of EUR 36 billion, representing 52.3 percent of the Bank's total investment, mostly in Spain, Poland and Italy but also in Bulgaria, Croatia, Cyprus, the Czech Republic, Latvia, Lithuania, Slovenia and the Slovak Republic (see Table 6 for further details).

For the 2014-20 period, Cohesion is again a transversal priority for the EIB with the aim to support Less-Developed Regions and Transition Regions. It is also increasing its focus on blending grants with loans, financial instruments and advisory services with an aim to enhance the use of EU funds.

⁹⁹ European Investment Bank (2014e) *Statistical Report 2014*, available at: <http://www.eib.org/attachments/general/reports/st2014en.pdf>

Figure 5: EIB cohesion lending in 2007-2013

Source: European Investment Bank (2014c) *Promoting Economic and Social Cohesion in Europe*, Luxembourg

Table 6: EIB funding for Convergence regions

Country	Total no. of projects	Funding value – all projects (EUR million) in 2014 only	No. of projects supporting Convergence	Funding value – Convergence projects (EUR million) in 2014 only	% of projects supporting Convergence	% of funding supporting Convergence
AT	13	1,496.2	0	0.0	0	0.0
BE	13	1,915.6	3	550.0	23	28.7
BG	4	610.0	4	610.0	100	100.0
CZ	10	1,198.4	10	1,198.4	100	100.0
CY	4	265.0	4	265.0	100	100.0
DK	7	874.9	2	562.0	29	64.2
DE	43	7,725.8	19	2,647.0	44	34.3
EE	4	251.6	4	251.6	100	100.0
IE	8	931.8	2	243.0	25	26.1
EL	12	1,555.8	10	1,390.7	83	89.4
ES	50	11,897.7	38	9,974.4	76	83.8
FI	12	1,038.9	3	97.5	25	9.4
FR	50	8,212.8	15	2,104.8	30	25.6
HR	6	535.0	6	535.0	100	100.0
HU	8	756.0	7	699.6	88	92.5
IT	75	10,887.8	28	5,872.3	37	53.9
LT	3	80.4	3	80.4	100	100.0
LU	1	50.0	0	0.0	0	0.0
LV	2	107.5	2	107.5	100	100.0
NL	11	2,194.1	0	0.0	0	0.0
PL	36	5,495.5	34	5,084.9	94	92.5
PT	10	1,319.5	8	1,297.0	80	98.3
RO	8	589.9	7	544.9	88	92.4
SE	9	1,411.2	1	8.0	11	0.6
SI	3	111.0	2	111.0	67	100.0
SK	11	555.5	11	555.5	100	100.0
UK	28	7,012.9	6	1,316.0	21	18.8
TOTAL	441	69,080.8	229	36,106.5	52	52.3

Source: EPRC research based on EIB country factsheets and EIB statistical report 2014

2.5.1 Structural Programme Loans

Structural Programme Loans (SPLs) are investment programmes comprising projects from one or more operational programmes. They are a subset of the FL category. SPLs are aimed at co-financing multi-sub-project investments managed by public authorities included within an Operational Programme to meet EU economic and social cohesion objectives and supported by grants from the EU Structural or Cohesion Funds. . SPLs place greater reliance on the financial intermediary than is the case with Investment Loans but less than is the case with Global Loans.¹⁰⁰

SPLs allow the EIB to target previously unsupported or partly supported areas of regional development. The SPL were first introduced in the 2000-06 period in the context of fiscal consolidation pressures in Member States associated with euro membership.¹⁰¹ Member States faced an implementation gap: liquidity problems (expenditure has to be made before receipt of payment) and lack of co-financing resources. **SPLs offer complementary lending through long-term loans for the national and/or regional authorities,** particularly in regions with comparatively smaller financing or borrowing capabilities. Geographically, SPLs are concentrated in Southern and Eastern Europe. Over the 2007-2013 period, Hungary Greece, Portugal and Poland were the largest recipients of SPL (see Figure 6).

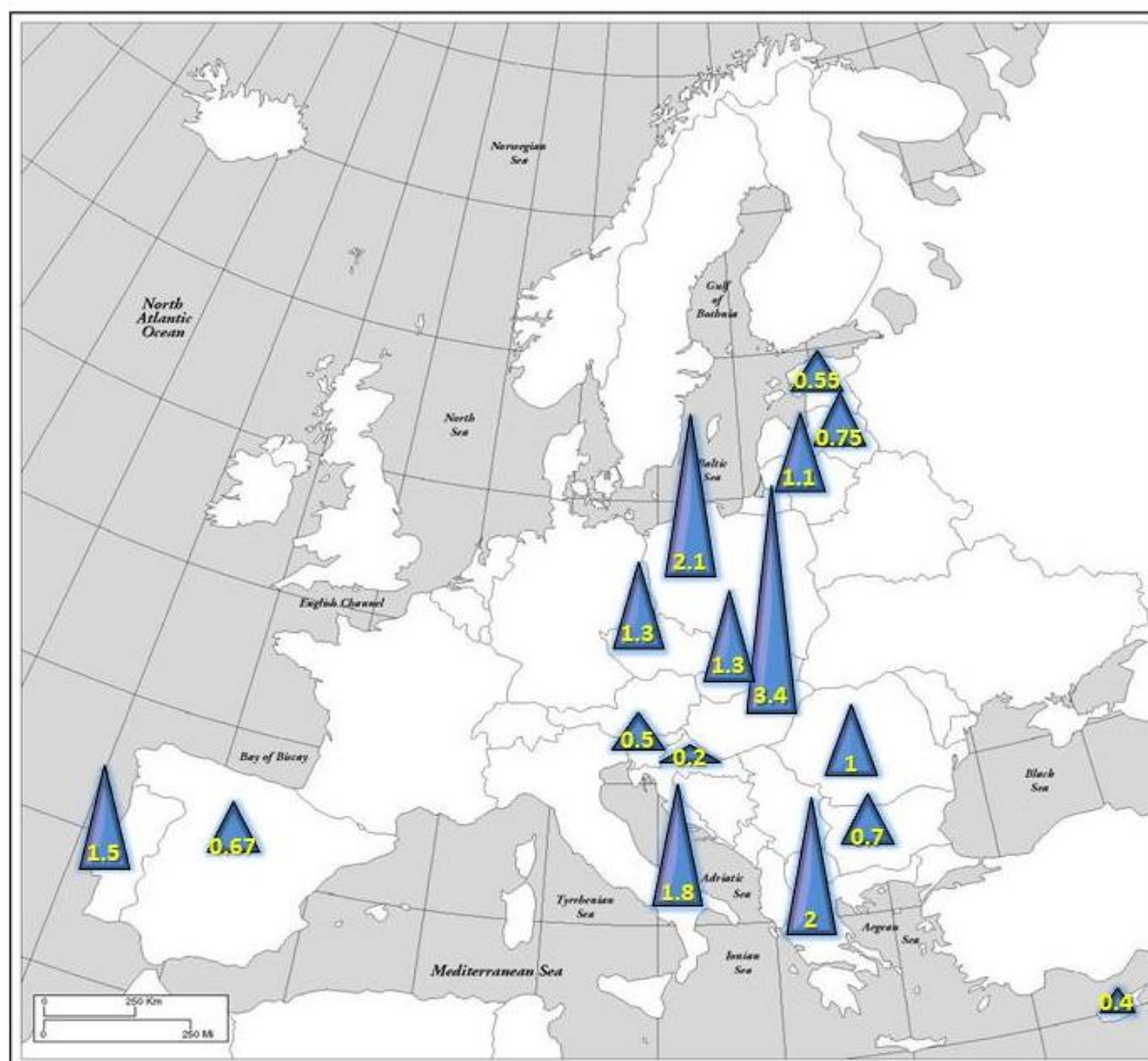
SPLs are designed to blend with Cohesion Policy funds and, where appropriate, are accompanied by advisory services.¹⁰² One advantage is that the implementation period is in principle aligned with the Cohesion Policy programme period (other forms of EIB lending are often project-based). A further advantage is that SPLs offer flexibility throughout the project cycle due to the timing of disbursements and allocation of funds, as well as longer maturity dates and lower costs of finance than those provided by commercial banks.¹⁰³ In terms of finance, the EIB covers an average of ten percent of the investment costs. The size of the SPL loan portfolio in 2007-13 ranged between EUR 50 million and EUR 2.1 billion. SPLs are usually managed by public authorities which can include national or sub-national governments, public companies, national or local banks, special purpose vehicles, private concessionaires or private companies that act as intermediaries. The final recipients of the SPLs comprise of public and private entities whose investment is being financed under ESIF.

¹⁰⁰ European Investment Bank Operations Evaluation (2012) Ex post evaluation of the use of Framework Loans to finance EIB investment in the EU, 2000-2011, Synthesis Report prepared for the EIB, EIB: Luxembourg.

¹⁰¹ Kazamaki-Ottersten E and Sioliou M (2014) Structural Programme Loans: Blending ESI Funds with EIB Loans, *European Structural Funds and Investment Journal*, Vol. 2, p. 127.

¹⁰² Ibid.

¹⁰³ Field B, Kazamaki-Ottersten E and Sioliou M (in print) Funding Integrated Territorial Development: The Role of the European Investment Bank in supporting European Policies.

Figure 6: Geographical distribution of SPLs in the 2007-2013 period

Source: Kazamaki-Ottersten and Sioliou (2014) *op. cit*

2.6 Other instruments

The EIB is also involved in the implementation or management of other instruments that target economic and social cohesion. Although managed by parts of the Commission other than DG REGIO, they have a close link to Cohesion Policy objectives. They include a wider set of instruments which have **important synergies with Cohesion Policy activities**.¹⁰⁴ This study considers three such instruments:¹⁰⁵

- **COSME** – aims to improve access to finance for SMEs through loan guarantees and equity;
- **InnovFin** – Horizon 2020 equity-sharing and risk-sharing instruments for innovative SMEs but also other research-orientated institutes; and
- **Connecting Europe Facility** – finance for projects that fill the missing links in Europe's energy, transport and digital network.

¹⁰⁴ Wishlade and Michie (2015) *op. cit*.

¹⁰⁵ Other instruments include EaSI, ERASMUS and instruments entrusted by Member States and regions also have linkages to Cohesion Policy.

2.6.1 COSME

COSME (the programme for the Competitiveness of Enterprises and Small and Medium-sized Enterprises) aims to facilitate access to finance for SMEs through two EU-level FIs (loan guarantees and equities), available since August 2014. The COSME FIs build on experience from the FIs under the Competitiveness and Innovation Framework Programme (CIP) that ran from 2007-13 and also sought to facilitate access to loans and equity finance for SMEs where market gaps had been identified. The programme is run by DG Growth – Internal Market Industry, Entrepreneurship and SMEs.

The EIF is responsible for the implementation of FIs under COSME. According to EU Decision No. 1639/2006/EC¹⁰⁶ establishing the CIP, the operation by the EIF of Community FIs for SMEs on behalf of the Commission has 'been considered a good practice by independent evaluations'. Therefore, the EIF was entrusted with operational tasks with regard to two of the CIP instruments – predecessors of the two COSME FIs. The EIF has retained its implementation role in the 2014-20 period: the COSME FIs are managed by the EIF under a European Commission mandate. However, the COSME Basic Act¹⁰⁷ also foresees the possibility of implementation by other entrusted entities, an option that the CIP Basic Act¹⁰⁸ did not envisage.

The EIB (along with EBRD and other international financial institutions) also had an advisory role in the Capacity-Building Scheme, which aimed to boost the capacity of financial intermediaries by improving the investment and technology expertise of funds and other financial intermediaries investing in innovative SMEs or SMEs with growth potential. The scheme was foreseen in the CIP legal basis with an initial budget of EUR 73 million. However, there was no uptake for this service, and the funds have been reallocated to other initiatives.¹⁰⁹

COSME FIs include the following.

- **The Loan Guarantee Facility (LGF)** provides guarantees and counter-guarantees to selected financial intermediaries to help them provide loans and leases to SMEs (focusing on higher-risk SMEs). LGF is a successor to the SME Guarantee Facility (SMEG), developed and implemented also by the EIF under the CIP. The SMEG Facility covered four business lines (loan, micro-credit and equity guarantees as well as securitisation). Reportedly, since 2007, over EUR 19.3 billion in loans have been mobilised, and more than 340,000 SMEs have benefited from a guaranteed loan or lease thanks to the SMEG.¹¹⁰
- **The Equity Facility for Growth (EFG)** invests in selected venture capital and private equity funds – acting as financial intermediaries – that provide funding to SMEs predominantly in their expansion and growth stages, in particular those operating across borders. Through EFG, the EIF invests in selected funds – acting as the EIF's financial intermediaries. While there is no specific sector focus, potential target companies must not be active in any of the EIF restricted sectors. The EIF selects intermediaries on a continuous basis following a due diligence process based

¹⁰⁶ Decision (EC) No. 1639/2006/EC of the European Parliament and of the Council of 24 October 2006 establishing a Competitiveness and Innovation Framework Programme (2007 to 2013).

¹⁰⁷ Regulation (EU) No. 1287/2013 of the European Parliament and of the Council of 11 December 2013 establishing a Programme for the Competitiveness of Enterprises and small and medium-sized enterprises (COSME) (2014 – 2020)

¹⁰⁸ Decision (EC) No. 1639/2006/EC .*op. cit.*

¹⁰⁹ European Commission (2014b) COSME programme for the competitiveness of Enterprises and SMEs 2014-20: entrepreneurship & innovation Programme Implementation report 2013, COS-04-2014, 20 February 2014

¹¹⁰ For more information see: http://ec.europa.eu/growth/access-to-finance/cosme-financial-instruments/index_en.htm

on established selection criteria. EFG is a successor to the High Growth and Innovative SME Facility (GIF), developed and operated by the EIF under the CIP. There, EIF invested in venture capital funds to increase the level of equity for innovative SMEs both in the early stages (GIF1) and in the expansion phase (GIF2). In contrast, within the 2014-20 framework, COSME deals only with FIs in line with GIF2, while those in line with GIF1 are addressed by Horizon 2020. Reportedly, since 2007, GIF has mobilised more than EUR 2.3 billion in equity investments.¹¹¹

The Cohesion Policy thematic objective of enhancing SME competitiveness (TO 3, Article 9 CPR) has strong linkages with the overarching goal pursued by COSME, particularly as both are grounded in the Europe 2020 framework. **Both the CPR and the COSME-establishing regulation foresee a scaling-up in the use of FIs in the 2014-20 period.** Both ESIF and EU-level FIs under the COSME and Horizon 2020 programmes aim to increase support to SMEs.¹¹² At the same time, the ways of achieving this common goal by COSME and ESIF differ¹¹³ (e.g. non-territorial approach of COSME as opposed to place-based ESIF approach; directly managed COSME instruments versus ESIF shared management with national and regional public intermediaries, etc.). In addition, synergies between the two types of approaches may be found, for example in the COSME co-funded Enterprise Europe Network, which provides business and innovation support services customised to the needs of SMEs in a territory and focusing on place-based support, with 'informal pre-allocation of funds to Member State/regions' taking part.¹¹⁴

It was envisaged that **COSME's equity and guarantee facilities should be complementary to the Member States' use of FIs for SMEs in the framework of Cohesion Policy.** However, as mentioned, overlaps still exist. Among other things, the CPR¹¹⁵ provides a legal base for ensuring coordination between ESIF and other EU programmes (including COSME) in Partnership Agreements and OPs (Art.15, 96). Point 4.3 of Annex I (Common Strategic Framework)¹¹⁶ of the CPR states that Member States and the Commission shall have 'due regard to strengthening coordination, synergies and complementarities' between the ESIF, Horizon 2020, COSME and other relevant centrally managed EU funding programmes.¹¹⁷ Similarly the COSME Regulation calls for close synergies between COSME programme and the CPR.¹¹⁸

The Reference Guide on FIs for 2014-20¹¹⁹ also stresses that 'synergies and complementarity should be sought' – FIs through ESIF should take account of and work together when justified with other EU instruments, including FIs. Moreover, the development of Smart Specialisation Strategies requires a so-called 'entrepreneurial discovery process', which might involve collaborative work between different authorities involved in designing SME and industry policy and R&I policies (including, e.g., Horizon 2020 actors and COSME-

¹¹¹ For more information, see:

http://ec.europa.eu/growth/access-to-finance/cosme-financial-instruments/index_en.htm

¹¹² European Commission (2013b) Ex-ante assessment of the EU SME Initiative. Commission Staff Working Document (prepared with input from the EIB and the EIF), available at: http://www.parlament.gv.at/PAKT/EU/XXV/EU/00/60/EU_06000/imfname_10426876.pdf

¹¹³ European Commission (2014c) Enabling synergies between European Structural and Investment Funds, Horizon 2020 and other research, innovation and competitiveness-related Union programmes – Guidance for policy-makers and implementing bodies.

¹¹⁴ European Commission (2014c) *op. cit.*

¹¹⁵ Regulation (EU) No. 1303/2013 *op. cit.*

¹¹⁶ The Common Strategic Framework establishes strategic guiding principles to facilitate the programming process and the sectoral and territorial coordination of Union intervention under the ESI Funds and with other relevant Union policies and instruments. (Article 10 CPR).

¹¹⁷ Regulation (EU) No. 1303/2013 *op. cit.*

¹¹⁸ Regulation (EU) no 1287/2013 of the European Parliament and of the Council of 11 December 2013 establishing a Programme for the Competitiveness of Enterprises and small and medium-sized enterprises (COSME) (2014 - 2020) and repealing Decision No 1639/2006/EC.

¹¹⁹ European Commission (2014e) *op. cit.*

supported entities).¹²⁰ Furthermore, **there are synergies between COSME and Cohesion Policy instruments in the SME Initiative** (see Section 6.3). As a joint instrument, blending EU funds available under COSME and Horizon 2020 and ESIF, it utilises synergies between existing SME support programmes at national and EU levels and allows managing authorities to contribute ERDF and EAFRD resources to EU-level FIs. Its legal framework is based on a combination of the existing COSME and Horizon 2020 legal acts, the Financial Regulation and the CPR.¹²¹

2.6.2 Risk-sharing instrument and InnovFin SME Guarantee Scheme

The InnovFin SME Guarantee Facility is part of 'InnovFin – EU Finance for Innovators', an initiative launched by the European Commission and the EIB in the framework of Horizon 2020. **InnovFin SME Guarantee, managed by EIF, provides guarantees and counter-guarantees on debt financing between EUR 25,000 and EUR 7.5 million, in order to improve access to loans, financial leases and loan guarantees for research-based and innovative SMEs and Small Mid-caps**¹²² up to 499 employees. This facility is rolled out through financial intermediaries, which are guaranteed or counter-guaranteed against a portion of their potential losses by the EIF.

The InnovFin SME Guarantee Facility is a demand-driven instrument that builds on the experience of the Risk-Sharing Instrument (RSI), developed under the 7th Framework Programme for Research and Technological Development (2007-2013). RSI was a pilot guarantee scheme managed and implemented by EIF, launched at the end of 2011 in cooperation with the EIB and the Commission. RSI aimed at improving access to debt finance of highly innovative SMEs and small Mid-caps to support their R&I projects. Within RSI, the EIF provided guarantees to banks and leasing companies. The instrument helped SMEs and Mid-caps to obtain cheaper loans to finance additional investments, working capital needs and R&D projects.¹²³ RSI was part of the Risk-Sharing Finance Facility (RSFF), which operates outside Cohesion Policy and was launched by the Commission in collaboration with the EIB. Managed by the EIB, it aimed to improve access to debt-financing for promoters of R&I investments (of different sizes and forms) by sharing the underlying risks between the EU and the EIB.

EIF acts as the implementing body in the InnovFin SME Guarantee Facility. Following the launch of a Call for Expression of Interest, published on the EIF's website, it selects financial intermediaries after a due diligence process and signs an agreement with them. RSI was also managed and implemented by EIF. In general terms, with regard to access to risk finance, both EIB and EIF have played an important role, implementing different FIs on behalf of the Commission. While the EIB generally provides guarantees to banks that lend to medium-to-larger companies, EIF caters for those lending to small and medium-sized firms and Mid-caps.

¹²⁰ European Union (2012) *Guide to Research and Innovation Strategies for Smart Specialisations (RIS 3)*, available at: http://s3platform.jrc.ec.europa.eu/en/c/document_library/get_file?uuid=e50397e3-f2b1-4086-8608-7b86e69e8553

¹²¹ European Parliament (2013a) *Financial Engineering Instruments in Cohesion Policy, Study to the European Parliament*, Directorate General for Internal Policies, Policy Department B: Structural and Cohesion Policy, available at: [http://www.europarl.europa.eu/RegData/etudes/etudes/join/2013/495870/IPOL-REGI_ET\(2013\)495870_EN.pdf](http://www.europarl.europa.eu/RegData/etudes/etudes/join/2013/495870/IPOL-REGI_ET(2013)495870_EN.pdf)

¹²² No EU-wide definition for Small Mid-caps exists. However, for the purpose of Horizon 2020, the Commission defined the Small Mid-cap as an enterprise which has up to 499 employees and is not a micro, small or medium-sized enterprise (For more information, see: European Commission (2014a) Activities relating to financial instruments etc., at <http://eur-lex.europa.eu/legal-content/en/ALL/?uri=CELEX:52014SC0335>).

¹²³ European Parliament (2013a) *op. cit.*

The EIB also had a role in terms of evaluation of RSI and as such significantly contributed to its development (see Section 3.7.2). Additionally, the EIB has been carrying out related accompanying measures, e.g. providing technical assistance concerning access to risk finance. The EIB and DG Research and Innovation have developed a loan-matching platform to provide access to information on European financing for innovation projects.¹²⁴ The ESIF thematic objective on strengthening research, technological development and innovation¹²⁵ is consistent with the overarching goal pursued by Horizon 2020 and its instruments. Both ESIF and Horizon 2020 instruments are based on the same long-term Europe 2020 strategy and are largely associated with the same flagship initiative of Innovation Union. Accordingly, post-2013 ESIF Programmes have been prepared with an increased focus on the research and innovation dimensions, in line with the principle of thematic concentration foreseen / provided for by the new (2014-20) regulatory framework for Cohesion Policy.¹²⁶

The CPR¹²⁷ provides a legal base for ensuring coordination between ESIF and other EU programmes (including Horizon 2020). Arrangements to ensure coordination and consistency between ESIF (in PAs and OPs) and Horizon 2020 both at the strategic and operational levels are also provided for in other sections of the CPR (Art.15, 96, Annex 1) as well as in the Horizon 2020 Basic Act.¹²⁸ Furthermore, for 2014-20 both ESIF and Horizon 2020 foresaw a scaling-up in the use of FIs. Synergies between their FIs may be seen, such as in the SME Initiative, based on FIs of COSME and Horizon 2020 jointly funded by the EU budget and ESIF allocations. This relates to the ambition to expand risk-sharing instruments between the Commission, Member States and the EIB to leverage private sector and incentivise capital market investments in SMEs, for the 2014-20 programme period for which provisions have been incorporated into the Common Provisions Regulation have been made in order to enable the use of ESI funds for the SME Initiative (see Section 6.3).

2.6.3 Connecting Europe Facility

The Connecting Europe Facility (CEF), established in December 2013, supports trans-European networks and infrastructure in the sectors of transport, telecommunications and energy. It aims to act as a catalyst for further private and public funding by giving infrastructure projects credibility and lowering their risk profiles, thereby attracting investors. It also finances technical assistance programmes.

One of the CEF's key elements is **a more systematic use of innovative FIs** to provide a funding alternative to traditional grants and fill financing gaps for strategic infrastructure investments. Investment needs identified for the EU transport system, reduction of national infrastructure investments programmes and restrictions of bank lending for long-term or risky projects have been among the catalysts for the demand for FIs' wider use in the CEF. Regulation No. 1316/2013¹²⁹ provides for the FIs usage for actions with a clear European added value. The contribution from the EU budget to the FIs should not exceed ten percent of the overall financial envelope of the CEF. It provides support for: equity instruments (such

¹²⁴ For more information, see: <http://helpingyouinnovate.eib.org>

¹²⁵ Thematic objective 1, Article 9 CPR.

¹²⁶ The regulatory framework for Cohesion Policy in 2014-2020 (see CPR Articles 9 and 18) envisages thematic concentration of expenditure on a limited number of objectives in order to maximise the contribution of Cohesion Policy to the priorities of the Union strategy for smart, sustainable and inclusive growth (with 'strengthening research, technological development and innovation' being one of the associated 11 thematic objectives).

¹²⁷ Regulation (EU) No. 1303/2013 *op. cit.*

¹²⁸ Regulation (EU) No 1291/2013 of the European Parliament and of the Council of 11 December 2013 establishing Horizon 2020 - the Framework Programme for Research and Innovation (2014-2020) and repealing Decision No 1982/2006/EC

¹²⁹ Regulation (EU) No. 1316/2013 of the European Parliament and of the Council of 11 December 2013 establishing the Connecting Europe Facility.

as investment funds with a focus on providing risk capital for actions contributing to projects of common interest); and loans and/or guarantees facilitated by risk-sharing instruments (including the credit-enhancement mechanism for project bonds).

The **Europe 2020 Project Bond Initiative (PBI)**, implemented by the EIB, is one of the CEF FIs. It is a joint initiative by the Commission and the EIB, the pilot phase of which started operations in 2012. It is designed to revive project bond markets and enable eligible infrastructure projects promoters, usually public-private partnerships, to attract additional private finance from institutional investors.

The CEF builds on the experience gained in the implementation of FIs in the 2007-13 period, such as the **Loan Guarantee Instrument for Trans-European Transport Networks projects (LGTT)**, equity investments through the 2020 European Fund for Energy, Climate Change and Infrastructure (the 'Marguerite Fund'), and the pilot phase of the PBI.

The EIB has been working closely with the Commission as well as other financial institutions to exploit investors' interest in long-term infrastructure investment opportunities and to develop related FIs. The instruments – predecessors to the CEF FIs – were put in place in cooperation with the EIB. For instance, the LGTT was set up and developed jointly by the Commission and the EIB, aiming to facilitate a larger participation of the private sector in financing TEN-T infrastructure. The EIB and the Commission have also been working together on a number of options to extend the range of debt instruments under the CEF. The EIB has had a role in implementing the PBI (which was the first instrument developed by the EIB and the Commission under the CEF) and in developing further FIs within it (e.g., the Project Bond Credit Enhancement (PBCE) facility as a PBI-subordinated instrument). The activities of the initiative seek to build on the existing experience with joint Commission-EIB instruments and to utilise the EIB's expertise in EU infrastructure financing. Within the initiative, while the Commission determines general eligibility criteria, the EIB has a role in selecting specific projects and types of support, the Commission and the EIB sharing the associated risk. According to an ad-hoc audit of the pilot phase of the PBI,¹³⁰ the role of the EIB may also be seen in the fact that its involvement has been assessed as bringing 'credibility' and 'comfort' to investors, lowering project-associated risks. Additionally, according to Regulation No. 1316/2013,¹³¹ the EIB should have a role in providing, at the request of the Commission or Member States, 'technical assistance, including on financial structuring to projects of common interest'.

According to the Commission,¹³² 'synergies and complementarity should be sought' and FIs through ESIF should take account of and work together when justified with other EU FIs. The CPR¹³³ provides a legal base for such synergies, covering arrangements to ensure coordination between ESIF and other EU programmes in PAs and OPs. The Regulation notes **the CEF role in accelerating development of infrastructure across the EU, and states that ERDF and Cohesion Fund interventions should be planned in close cooperation with the support provided from the CEF**, to ensure complementarity and optimal linkage of different types of infrastructure at various spatial levels. Appropriate coordination and technical support mechanisms should also be put in place, to ensure complementarity and effective planning. In the context of smart specialisation strategies, the commitment to the Digital Agenda for Europe can also be supported by joining forces of Cohesion Policy with the CEF along with Horizon 2020.¹³⁴

¹³⁰ EY (2014) Ad-hoc audit of the pilot phase of the Europe 2020 Project Bond Initiative, Final Report, 17 June 2014.

¹³¹ Regulation (EU) No. 1303/2013 *op. cit.*

¹³² European Commission (2014e) *op. cit.*

¹³³ Regulation (EU) No. 1303/2013 *op. cit.*

¹³⁴ European Union (2012) *op. cit.*

Within ESIF, the support to trans-European infrastructure networks in the three sectors covered by the CEF has remained important for the achievement of the cohesion objective. Overlaps should be avoided by means of the different application objectives of Cohesion Policy funds and the CEF. For example, in transport, while CEF instruments concentrate on projects of high EU added value, ESIF allocate support to TEN-T projects of more regional and national immediate impact. While the Structural Funds support broadband roll-out projects¹³⁵ where there is no business case, CEF FIs seek to make specific projects commercially viable.

As of 2014, **in conjunction with the CEF, support from Cohesion Fund should be provided to projects implementing core networks for transport infrastructure projects of European added value.**¹³⁶ In total, EUR 10 billion is allocated under the Cohesion Fund for actions in this field.¹³⁷ Member States are eligible under the specific rules for the Cohesion Fund and the selection of projects has to follow the national allocations under the Cohesion Fund. However, selection of projects will take place under the rules of the CEF regulation. These measures are in line with the ambition to ensure synergies and complementarities between different kinds of interventions targeting transport infrastructure in various spatial contexts. The transferred funds are earmarked exclusively for transport infrastructure projects in the Member States eligible for the Cohesion Fund allocations, and projects thus supported can benefit from more favourable financial support conditions. Such a mechanism aims to eliminate the risk of the CEF becoming an instrument used only by economically more-advanced Member States and to ensure that complex transport projects with high EU added value can be delivered in the Cohesion Member States.

¹³⁵ The EU recognises the strategic importance of broadband, notably in the Digital Agenda for Europe, a flagship initiative of the Europe 2020 strategy. This is supported by the Structural Funds, see for example the ERDF investment priority 'Extending broadband deployment and the roll-out of high-speed networks and supporting the adoption of emerging technologies and networks for the digital economy', the 'Broadband target', CPR.

¹³⁶ Regulation (EU) No. 1300/2013 of the European Parliament and of the Council of 17 December 2013 on the Cohesion Fund and repealing Council Regulation (EC) No 1084/2006, recital 9; Regulation (EU) No. 1303/2013 *op. cit.*, recital 80.

¹³⁷ For more information, see:

http://www.europarl.europa.eu/atyourservice/en/displayFtu.html?ftuId=FTU_5.1.3.html

3 THE EFFECTIVENESS AND EFFICIENCY OF EIB ACTIVITIES IN COHESION POLICY

KEY FINDINGS

- There has been a significant expansion in the roles that the EIB plays in implementing Cohesion Policy. These include advisory and capacity-building services, (b)lending, and mandate management.
- The EIB activities are generally regarded as making a significant contribution to Cohesion Policy objectives by senior officials responsible for implementing European Structural and Investment Funds in the Member States. These activities are considered to represent high added value and complementarity, particularly the EIB's advisory, capacity-building and (b)lending services.
- Specifically in relation to Financial Instruments, the EIB plays a crucial role in their development and implementation. This role is still evolving, and the effectiveness and efficiency of the EIB's activities in Cohesion Policies is not always well understood at EU level.
- Gap analysis and evaluations in the context of the JESSICA and JEREMIE initiatives are generally valued by managing authorities and stakeholders, although the EIB and EIF recommendations are not always followed by national and regional authorities.
- An assessment of the mandate management role of the EIB and EIF is impaired by the limited availability of data and the relatively short experience of implementing these FIs. Based on data provide by Member States in the Commission's summary report, the absorption rate of HFs managed by the EIB is lower than non-EIB managed HFs. In addition, the EIB and EIF appear to have a lower absorption rate when considering the absorption of funds by final recipients, compared to non-EIB HFs. However, the lower absorption rate may be partly due to the weak capacity of Member States where the EIB and EIF operate as well as the particularly severe effects of the financial crisis in these countries.
- Data from the Commission's summary report indicate that management fees for EIB and EIF holding funds are broadly equivalent to those managed by non-EIB institutions. However, a comparison of management fees for holding funds implemented by the EIF (enterprises) and those for the EIB (urban development) indicate that the latter are lower as a proportion of commitments. The reverse is true when comparing enterprise support holding funds of other institutions with those implemented by EIF.
- The scale of EIB lending to projects funded through Cohesion Policy is not well understood. There is no aggregate EU-level data available which give an overview of co-financing to Cohesion Policy projects and instruments provided by the EIB.

This chapter considers the effectiveness and efficiency of the various EIB activities in Cohesion Policy. It draws from primary sources (interviews and surveys) and secondary sources (evaluations, data summary reports, etc.). The chapter should be considered as a review rather than a comprehensive evaluation of effectiveness and efficiency of EIB Group activities. While the review encompasses all of the EIB's main roles, the focus is particularly on financial instruments which have become increasingly important for the implementation of Cohesion policy. The chapter starts by discussing the different roles of the EIB. The subsequent sections examine synergies between EIB and Cohesion Policy, Financial instruments in Cohesion Policy and how effective the EIB is in each of its roles in the following order: advisory and capacity-building services; mandate management; and (b)lending. The penultimate section considers the effectiveness of COSME, Innovfin and CEF. The final section assesses the EIB's contribution to Cohesion Policy based on survey results.

3.1 The different roles of the EIB

The EIB's initial activities in Cohesion Policy were largely restricted to (b)lending, but it has increasingly adopted different types of functions and services. As noted earlier, the EIB has four main roles in the implementation of Cohesion Policy:

- (i) **advisory** – involvement at early-stage feasibility study or gap analysis (JESSICA and JEREMIE);
- (ii) **(b)lending** – investing EIB loans in activities that include Cohesion Policy funding, blending refers to a specific facility for financing Cohesion Policy projects (for example Structural Programme Lending or contributions to FIs); 'ordinary' facilities (e.g. global loans, direct loans or framework loans) can be used in combination with Cohesion Policy funding but have a wider application;
- (iii) **management** – managing a holding fund or specific fund for financial instruments for enterprises and urban development ; and
- (iv) **capacity-building** – organising TA platforms that provide a forum for MAs to engage in knowledge-exchange activities (e.g. the JASPERS initiative).¹³⁸

For this study, a short online survey (see for details Section 1.2.3 for methodology and Annex 2 for questions) sought to identify where and how these different roles are fulfilled. Senior-level officials responsible for Cohesion Policy implementation at Member State level were asked to identify which roles the EIB fulfils in their country/region. The results are provided in Table 7 which maps the role of the EIB in relation to Cohesion Policy in 19 Member States. The findings should be regarded as indicative rather than conclusive; there are indications that the roles identified (or those that are not) do not always correspond with secondary sources. On the other hand, there is insufficient documentary evidence to establish fully the range of roles the EIB fulfils in each Member State.

There are four Member States (Austria, Finland, Germany and Luxembourg)¹³⁹ where, according to respondents, the EIB does not fulfil any role in relation to Cohesion Policy implementation. By contrast, in Bulgaria the EIB appears to fulfil a wide range of roles including advisory, (b)lending, management and capacity-building. In nine Member States, the EIB provided an advisory role. In eight Member States, the EIB is a HF manager, and, according to respondents, it provides co-financing ((b)lending) for FIs in five Member States. The Bank provides loans for Cohesion Policy-funded projects in nine Member States. It provides capacity-building services in seven Member States. In some cases, 'other' roles were identified, mainly related to the provision of structural programme lending. For example, in Poland the EIB granted the Polish State Treasury credit on two occasions (the first of EUR 2.13 billion and the second of EUR 700 million with scope to increase to EUR 1.3 billion) intended to finance the expenditure incurred by the state budget as national co-financing of projects implemented under the 2007-13 and 2014-20 Operational Programmes.

Lastly, a number of Member States reported EIB activities that contribute to regional development but are not directly linked to Cohesion Policy. This mainly involves the EIB's activities in relation to infrastructure projects but also activities such as providing guarantees for an enterprise development agency and specific schemes such as the Baltic Sea Investment Fund which is co-financed by the EIF. Certain EU-level programmes that had complementarities with Cohesion Policy were also mentioned, e.g. COSME, InnovFin, etc. (see Section 2.6).

¹³⁸ Wishlade and Michie (2015) *op. cit.*

¹³⁹ Most of these countries do not have any Lesser Developed or Transition regions and therefore EIB activities may be less relevant.

Table 7: Role of the EIB in Member States (according to survey responses)¹⁴⁰

Member State	Advisory	(B)lending			Management			Co-financing for projects	Capacity building and TA	Other	No role
		enterprises	urban	energy	enterprises	urban	energy				
Austria											
Belgium (Fla)											
Bulgaria											
Croatia											
Czech Rep.											
Finland											
France											
Germany											
Hungary											
Latvia											
Lithuania											
Luxembourg											
Netherlands											
Poland											
Portugal											
Slovakia											
Slovenia											
Sweden											
UK (England)											
UK (Scotland)											

Source: EPRC survey research

¹⁴⁰ For example if the information from Table 4 is compared with Table 7 it shows that Czech Republic did have a HF until 2014, Poland had five HFs of which one was terminated in 2014. There is no HF in Slovakia where the EIB is manager. A HF was created in Scotland in 2010 and HF in Greece, Spain and Italy are not mentioned.

3.2 Synergies between EIB and Cohesion Policy

The mechanisms used by the EIB and Cohesion Policy differ, most notably because EIB loans have to be repaid whereas most Cohesion Policy expenditure is made available through grants although the introduction of FIs which also need to be repaid has blurred the distinction. The EIB approach and Cohesion Policy framework differ in terms of: ¹⁴¹

- **products** – the EIB offers financial products (loans, guarantees, equity) that are offered based on market conditions, whereas ESI Funds are mainly grant-orientated;
- **implementation timeframes** – Cohesion Policy is implemented over a seven-year programme period,¹⁴² whereas the EIB provides project loans that can have a shorter but usually a longer time span;
- **relationship** – ESI funds are implemented under the principle of shared management, whereas EIB products are governed by a contractual relationship between, in the case of SPLs and global loans, the Bank and a managing authority or an intermediate body and in the case of investment loans and some framework loans between the Bank and a promoter;
- **types of beneficiaries** – the EIB tends to do business with a relatively small group of trusted institutions,¹⁴³ often financial intermediaries, whereas Cohesion Policy programmes have a broad range of local and regional stakeholders;
- **selection mechanisms** – Cohesion Policy programme activities are selected using predetermined criteria based on policy objectives. By contrast, the EIB's selection processes are established through a process of due diligence and consist of a combination of policy objectives and measures of profitability (or at least economically justified);
- **support** – Cohesion Policy programmes have dedicated secretariats and contact points for support at the Member State level (national or regional), whereas the EIB has expert teams working on country desks; and
- **decision-making structures** – Cohesion Policy programmes are steered by monitoring committees based on a partnership principle involving a broad set of stakeholders, whereas the EIB's ultimate decision-making body is the board of governors with project activities approved by a board of directors consisting of 28 national officials and a Commission representative.

There are also important similarities in that both EIB activities and Cohesion Policy activities are based on providing match funding and their activities are meant to be additional.¹⁴⁴ Furthermore, Cohesion Policy and the EIB both prioritise economically disadvantaged regions.¹⁴⁵

The added value of EIB activities in Cohesion Policy can be considered in both financial and non-financial terms.¹⁴⁶ Financially, EIB loans are seen as an important source of match

¹⁴¹ European Parliament (2006) The Synergy between EU Cohesion Policy and European Investment Bank Activities, Policy Department Structural and Cohesion Policies, Brussels, available at: http://www.europarl.europa.eu/meetdocs/2004_2009/documents/dv/study_ao_ip-b-st-regi-2005-106_280806/_study_ao_ip-b-st-regi-2005-106_280806_en.pdf

¹⁴² Loans under Cohesion Policy can also be granted for a longer periods.

¹⁴³ This is not necessarily the case for all products, for example for framework loans and investment loans a public body can be the borrower.

¹⁴⁴ Although in the case of the ESIF additionality is more direct, in that EU funds should not be a substitute for national funds. For the EIB, it is less direct in that EIB lending aims to have a similar, additional, effect through leveraging money which otherwise would not have become available.

¹⁴⁵ Robinson (2009) *op. cit.*

¹⁴⁶ Field *et al.* (forthcoming) *op. cit.*

funding, and its lending is informed by the EU's territorial agenda and Cohesion Policy objectives. The EIB offers complementary lending for Operational Programmes (see Section 2.6) funded by ESI Funds. At the same time, the EIB offers a range of financial products that support Cohesion Policy objectives that do not necessarily 'blend' with Cohesion Policy funds. Other expected financial complementarities that were identified at the start of the 2007-13 period included:¹⁴⁷

- financial instruments can **stimulate a leverage effect for private investment** and increased the net result of Cohesion Policy funding;
- EIB activities can lead to a **stronger integration of the Bank's investments into ESIF programmes**;
- the **combination of grants and loans can lead to a concerted action of public grants and private investment** within defined priorities and targeted geographical areas;
- the inclusion of financial intermediaries to deliver FIs **improves the access of applicants to a wide range of financial products** (venture capital, guarantees, etc.); and
- the pooling of financial and human resources allows for **more efficient handling** of the increasing number of activities concerned with project application, project appraisal, monitoring and evaluation.

With respect to potential non-financial benefits, the EIB activities are considered to bring added value to Cohesion Policy in a number of ways:¹⁴⁸

- EIB activities can **improve the capacity of Cohesion Policy** implementation bodies to overcome institutional deficiencies which are obstacles to efficient project development and implementation;
- the integration of EIB project experience can lead to **more mature and better-developed projects** and therefore facilitate appraisal procedures;
- the joint initiatives / special support instruments can provide regional implementing bodies with **access to financial products and knowledge on financial engineering**;
- the joint initiatives complement the single-project logic from EIB investments and lead them to **a programme-like approach** with potential integration gains;
- the exchange of complementary skills (EIB's knowledge of large-scale projects, DG REGIO's implementation experience) can **improve capacity to respond to growing complexity** in an increasing number of different Member States and institutional settings;
- the **harmonisation of procedures leads to a simplification** of the wide range of financial products on the market for potential applicants; and
- **joint information policies** can better promote the whole range of financial products and services to a wider audience of potential applicants.

¹⁴⁷ European Parliament (2006) *op. cit.*

¹⁴⁸ European Parliament (2006) *op. cit.*

3.3 Financial instruments in Cohesion Policy

3.3.1 The case for financial instruments

FIs have gained prominence in Cohesion Policy programmes over successive programme periods, increasing from EUR 570 million under ERDF in 1994-99, to EUR 1.3 billion in 2000-06 and EUR 17 billion in OP commitments 2007-13. There was heightened interest in the 2007-13 period with the launch of the JEREMIE and JESSICA initiatives, and the use of **FIs is set to continue to play an important role in programme implementation in 2014-20** (see Section 6.1). Former Regional Policy Commissioner Johannes Hahn described the use of FIs as a 'profound cultural shift',¹⁴⁹ and current Commissioner Corina Crețu also considers FIs to 'represent the future of cohesion funds'.¹⁵⁰ The European Parliament also 'recognises the leverage effect of new financial instruments and their potential to mobilise investment, supports increased financing from credit in general', and has called for 'the use of revolving financial instruments to be extended to those areas eligible for funding which prove to be appropriate'.¹⁵¹ Moreover, in its resolution on the 6th Cohesion Report, the EP highlights 'the role of financial instruments in mobilising additional public or private co-investments in order to address market failures in line with the Europe 2020 strategy and with cohesion policy priorities' and calls on the Commission 'to make all efforts to make financial instruments easily usable and tempting for Member States and regions' and emphasises 'the need to ensure transparency, accountability and scrutiny for financial instruments that involve EU money'.¹⁵²

The justification of using such instruments is that they **address market imperfections in the availability of capital**, either because of information asymmetries (lack of track record leads private sector not to fund projects) or because commercial assessments do not necessarily capture all positive externalities or wider social benefits. It is also argued that FIs generate better-quality projects (because funds have to be repaid and commercial expertise can enhance project selection) and that they are a more cost-effective way of using public funds (because they recycle funds and private sector lending is leveraged).¹⁵³

In relative terms, **FIs only make up a small proportion of the total Cohesion Policy budget**.¹⁵⁴ The main rationale for establishing FIs is their potentially revolving nature and the ability to attract additional capital from financial institutions.¹⁵⁵ In this sense, the impetus for establishing FIs is based on efficiency. FIs are also considered to be innovative tools for delivering Cohesion Policy objectives, with the potential for providing added value. However, the extent to which FIs have been effective in contributing to achieving Operational Programme goals is difficult to discern, partly because the monitoring system had limited scope to measure the effects of FIs in 2007-13 but also because the added value of FIs can often only be determined in the long term.

¹⁴⁹ Hahn J (former Commissioner) (2010) Keynote address to the conference JEREMIE and JESSICA: Towards successful implementation, 29-30 November 2010, Brussels.

¹⁵⁰ Crețu C; Commissioner Corina Crețu (2015a) I expect Romania to understand that financial instruments represent the future, AGERPRES, 28 January 2015, available at: <http://www.agerpres.ro/english/2015/01/28/commissioner-corina-cretu-i-expect-romania-to-understand-that-financial-instruments-represent-future-14-33-53>

¹⁵¹ European Parliament (2011a) European Parliament resolution of 5 July 2011 on the Commission's fifth Cohesion Report and the strategy for post-2013 cohesion policy (2011/2035(INI))

¹⁵² European Parliament (2011a) European Parliament resolution of 9 September 2015 on 'Investment for jobs and growth: promoting economic, social and territorial cohesion in the Union' (2014/2245(INI))

¹⁵³ Wishlade F and Michie R (2015) Financial instruments in 2014-20: learning from 2007-13 and adapting to the new environment, paper presented at the 2nd joint EU Cohesion Policy conference, Riga 4-6 February 2015.

¹⁵⁴ European Parliament (2012) *Overview of Financial instruments used in the EU Multiannual Financial Framework period 2007-2013 and the Commission's proposals for 2014-2020*. Analytical Study. DG for Internal Policies, Policy Department D: Budgetary Affairs, Brussels.

¹⁵⁵ European Investment Bank (2013a) *op.cit.*

In the 2007-13 programme period, **considerable experience was built up in relation to the use of FIs in Cohesion Policy**. The exact number of FIs is difficult to establish (see Section 4.2). According to data in the annual summary report, by the end of 2014 a total of 1,025 FIs (73 HFs and 952 specific funds) were established in 25 Member States (only Ireland, Luxembourg and Croatia were not recorded as using FIs), which benefited from EUR 17.1 billion of committed funds from 164 ERDF and 19 ESF Operational Programmes.¹⁵⁶ The number of FIs ranged between one (Finland) or two (Austria, Malta) to 170 (Hungary) and 248 (Poland).¹⁵⁷ Around 92 percent of funds dispersed to final recipients were for enterprise support, five percent for urban development and two percent for energy efficiency/renewable energy.

Loans are the most common type of finance offered by FIs. They are regarded as the least expensive form of external funding, suitable for comparatively low-risk operations and businesses with sufficient cash flow to service capital and repayments; they also allow entrepreneurs to retain control of their businesses. Guarantees are typically coupled with loans, allowing firms to access capital that would otherwise not be available to them, and are offered by various guarantors. Equity is better suited for a small number of high-growth firms that lack cash flow to cover debt and interest payments, but may offer high returns in the long run.

FIs are regarded as playing an important role in the delivery of Cohesion Policy objectives. Their purpose is to **enable public sector capital to be used on a market orientated basis** (e.g. through HFs, venture capital funds, loan funds and guarantee-fund mechanisms) and, in some cases, to stimulate the participation of private sector capital in order to increase the scale, effectiveness and efficiency of policy measures. In theory, they have three important attributes: they increase the sustainability of public investment; they have a leverage effect; and they enable policymakers to make use of private sector skills and expertise. A recent Committee of the Regions report summarises the main potential benefits of FIs when compared to grants, as follows:¹⁵⁸

- leverage of resources and increased impact of EU programmes;
- efficiency and effectiveness gains due to the revolving nature of funds, which stay in the programme area for future use for similar objectives;
- greater quality of projects as investment must be repaid;
- improved access to a wider spectrum of financial tools for policy delivery and private sector involvement and expertise;
- a move away from a 'grant dependency' culture; and
- attraction of private sector support (and financing) to public policy objectives.

Lastly, FIs have been found to promote cross-sectoral interactions and facilitate learning. They have also changed the emphasis on economic viability in the selection of public investment.¹⁵⁹

¹⁵⁶ European Commission (2015d) *op. cit.*

¹⁵⁷ The number of financial instruments may be measured differently between Member States. For the purposes of reporting managing authority data to the Commission, 'financial instrument' refers to number of funding agreements signed (between MA and a HF, between MA and a specific fund (no HF), and between HFs and a specific fund (FIs)). Numbers may therefore reflect the different types of financial instruments being implemented or the number of financial intermediaries involved. See Committee of the Regions (2015) *Financial instruments in support of territorial development*, available at: <http://cor.europa.eu/en/documentation/studies/Documents/financial-instruments-territorial-development.pdf>

¹⁵⁸ Committee of the Regions (2015) *op. cit.*

¹⁵⁹ Dąbrowski M (2015) *op cit.*

3.3.2 Implementation challenges

Notwithstanding the potential benefits outlined in the previous section, research and evaluation indicates that the implementation of FIs has hitherto proved to be challenging. While there is a range of examples of FIs improving access to finance, **the evidence base for their impact on economic development is limited as yet - particularly in terms of leverage of private finance, sustainability, and effects on productivity and employment – and is crucially dependent on implementation capacity.**¹⁶⁰ Box 3 provides illustrative cases of evaluation findings on the effectiveness of FIs for enterprises supported by Cohesion Policy funding.

Box 3: Evaluation of Financial instruments for enterprises

In **Germany**, an evaluation of the EU 'NRW/EU. Mikrodarlehen'¹⁶¹ found that the FI disbursed 305 micro-loans in the period up to June 2010, leading to 200 new enterprises of which 134 were start-ups by formerly unemployed people, with a high number of female entrepreneurs. The indirect effects of re-animating a business pioneer culture in the regional economy were found to be much more important. There was a more critical view of the efficiency of the FI, as transaction costs were relatively high for micro-loans. However, a European Court of Auditors study on FIs came to different conclusions for Nordrhein-Westfalen, where FIs were considered to be ineffective and unsustainable, with a poor leverage effect, and insufficient diversification of the risk taken by the FI.¹⁶²

In the **United Kingdom**, the mid-term evaluation of JEREMIE Wales concluded that the fund was being implemented and managed effectively. Investment targets throughout the first period of operations were largely met, while both the investment strategy and the fund's operations were adjusted and strengthened in response to emerging patterns of investment activity and performance. Although the initial target for gross job creation in the business plan was too high, when evaluated the fund was found to be on target to meet its (adjusted) lifetime investment, realisation and repayment targets. Although most of the investments were at an early stage, there was some evidence that the expected economic development impacts had already started to come to fruition.¹⁶³

A horizontal evaluation study of FI implementation under the NSRF 2007-13 in **Poland** showed that repayable financing products offered with public assistance matched the needs of entrepreneurs and reduced the financial gap. Nevertheless, the products did not always address the highest-risk projects. An important element of the study was to evaluate the net effect of support in the form of loans, guarantees and equity. The evaluation found that loans increased investment expenditure in the year the loan was granted and in two subsequent years. However, there was no confirmation of any impact on the net income of the enterprises. The slight increase in employment among borrowers was not statistically significant. The analysis also suggested that guarantees did not help increase investment expenditure but only accelerated investments. Again, no considerable impact on net income was found, but guarantees did increase employment.

In **Lithuania**, counterfactual impact evaluations of Lithuanian FIs in 2014¹⁶⁴ showed that credits provided under the measure 'Provision of Small Credits – Stage II' did not have a statistically significant impact on any of the three relevant parameters, i.e. change in annual turnover, number of employees, and profitability in the supported enterprises. Although there were small positive effects on annual turnover and the number of employees, neither effect was statistically significant. Most of the loans provided under the scheme were working capital credits.

¹⁶⁰ Dąbrowski, M (2015) *op. cit.* Wishlade F. and Michie R. (2015) *Financial instruments in 2014-20: learning from 2007-13 and adapting to the new environment*, Paper to the 2nd joint DG Regio – RSA EU Cohesion Policy conference 'Challenges for the New Cohesion Policy 2014-20: an Academic and Policy Debate, Riga, 4-6 February 2014. European Parliament (2015f) *Financial Instruments under Cohesion Policy 2007-13: How have Member States and Selected Financial Institutions Respected and Preserved EU Financial Interests?*, Study for the European Parliament, Directorate General for Internal Policies, Policy Department D: Budgetary Affairs, European Parliament, Brussels.

¹⁶¹ MR Gesellschaft Für Regionalberatung (2010) *Evaluation NRW/EU Mikrodarlehen*, Bremen.

¹⁶² European Court of Auditors (2012) *op. cit.*

¹⁶³ Regeneris (2012) *Mid-term evaluation of the Wales JEREMIE Fund*, Report to Finance Wales, WEFO and the Welsh Government, Regeneris Consulting Ltd, Manchester.

¹⁶⁴ BGI Consulting (2014) *Europos Sąjungos struktūrinės paramos poveikio smulkiajam ir vidutiniam verslui vertinimas*, Galutinė vertinimo ataskaita.

In **Portugal**, an interim evaluation of the OP 'Thematic factors of competitiveness'¹⁶⁵ assessed the change in employment and turnover of enterprises benefiting from the subsidised credit lines of 'PME Investe I and II' by the end of 2012. The evaluation compared the corresponding pre- and post-project figures.¹⁶⁶ Employment and turnover had increased by 13 percent and 33 percent respectively. The average change was higher in the sub-sectors that received less overall support.

In **Spain**, the evaluation of the 'Catalonia' OP measures to foster innovation, business development and the knowledge economy¹⁶⁷ assessed the main results of the FI 'IFEM JEREMIE'. The evaluation found that capital injections to mutual guarantee schemes and convertible debt enabled SMEs to grow and consolidate, which led to an increased number of employees of 9 percent for mutual guarantees and 4 percent for convertible debt. The pioneer equity FI promoted innovative projects with high impact potential. Some difficulties were noted for microcredits, which were due to a lack of previous experience or insufficient specialisation with microcredits in the financial institutions.

In **Denmark**, information on the funds' outcomes was limited. However, an assessment of the investments of 'CAT Invest Zealand' found they had a noticeable effect on employment. Conservative estimates from the companies that received capital indicate that the capital secured 60 to 65 jobs, which is more than the fund had anticipated. According to the assessment of the companies that received capital from the fund, the investments could result in 175 to 230 more jobs within three years. This figure is based on estimates, but the evaluation team considered this a positive and satisfactory result. Most portfolio companies, however, found it very difficult to tell what impact (other than on employment) they had created for the region.¹⁶⁸

Source: EPRC research.

Commission documentation and studies have identified a number of well-documented challenges in terms of implementing FIs in Cohesion Policy.¹⁶⁹ While the following list is not exhaustive and does not necessarily relate to FIs involving the EIB in particular, it does give an indication of the types of challenges related to the introduction of FIs. For the 2014-20 period the Commission and co-legislators have aimed to resolve some of these challenges.

- **Limited capacity of MAs to implement FIs** – MAs have been setting up and implementing complex co-funded FIs in an uncertain economic climate, often facing a steep learning curve. In some cases, this has led to delays in implementation. The Commission and the EIB have sought to address the capacity issue through various platforms, including *fi-compass* (see Section 6.4).
- The **impact of the economic crisis** meant that the capacity of FIs either to leverage in private sector funding or to incentivise SME investment may prove to be limited.¹⁷⁰
- **Unspent resources** has been one of most serious concerns. This stems partly from the practice in the 2007-13 period of allocating of resources to FIs which subsequently remained in the funds instead of being disbursed to the final recipients and **circumvent the automatic de-commitment rule**. However, the redesign of the investment strategy and thus the creation and approval (State aid clearance) of new products in response to the crisis, made it challenging to roll out FIs according to the timescales that were originally envisaged. The CPR (Art. 41) specifies the phasing of payment for FIs. Interim payments cannot exceed 25 percent of programme contributions committed, and

¹⁶⁵ Augusto Mateus & Associados and PwC Portugal (2013) Estudo de Avaliação Intercalar do Programa Operacional Fatores de Competitividade (COMPETE): Relatório Final.

¹⁶⁶ For a project that started in 2010 and finished in 2011, the pre-project year corresponds to 2009 and the post-project year to 2012.

¹⁶⁷ PWC (2011) Evaluación Estratégica del PO FEDER de Catalunya 2007-2013 Eje 1: Economía del conocimiento e innovación y desarrollo empresarial.

¹⁶⁸ Oxford Research A/S in cooperation with Hoegenhaven Consult (2014) *Ekstern Evaluering af CAPNOVA Invest Zealand og CAPNOVA*.

¹⁶⁹ For examples, see: European Commission (2012a) Financial instruments in Cohesion Policy, Commission Staff Working Document, Brussels, available at: http://ec.europa.eu/regional_policy/sources/docoffic/official/communic/financial/financial_instruments_2012_en.pdf; Michie and Wishlade (2011) *op. cit.* and (2015) *op. cit.*

¹⁷⁰ Michie and Wishlade (2011) *op. cit.*

the second interim payment can only be claimed when at least 60 percent of the first interim payment has actually been spent.

- **Shortcomings have been identified in the financial gap analysis.** In a few cases, funds have been transferred to FIs before mature business plans for these funds were in place. Room for improvement has been identified in the areas of setting up clear **exit strategies and winding-up provisions**. The CPR (Art. 37) requires an ex-ante assessment before funds can be committed to FIs. Methodological guidance to support this process has been provided by the Commission and by *fi-compass* (see Section 6.4). The ex-ante assessment culminates in a funding agreement or a strategy document if the managing authority implements the FI itself (annex IV of the CPR) which must provide an exit policy for the contribution from ESIF.
- There have been concerns in relation to the **management fees**, which have varied widely, and have not always been linked to the performance of the funds. For the 2014-20 period, the requirements for management costs and fees are much more stringent. Specifically, Delegated Regulation 480/2014 provides for an overall cap on fees as well as a performance-related component.
- The **unavailability of key data** for monitoring and reporting purposes has been a major concern in the 2007-13 period. For 2014-20, data requirements have been established from the outset for FIs in Implementing Regulation 821/2014 (Annex I). While most of the data sought for 2007-13 was voluntary, for 2014-2020 it is mandatory (see Section 4.2).
- The **legal framework on FIs in Cohesion Policy in 2007-13 was not always fit for purpose** and did not contain sufficient detail for effective implementation of FIs. This was considered a significant hurdle for fund managers and made it difficult to develop products and meet market requirements. The 2014-20 CPR is significantly more detailed and complemented by Commission implementing and delegated regulations covering specific aspects, and Commission guidance on key issues (e.g. use of working capital, combining support, selection of intermediaries). However, from the EIB's perspective the 2014-20 regulatory framework continues to present challenges and ESIF FIs are still regarded as being less efficient as EU level instruments which are considered to provide more regulatory clarity, are easier to use and more attractive for financial intermediaries. On the other side, it may be difficult to tailor such instruments to the specific situation in Member States and regions.
- The rules on **State aid have often been a key source of frustration in relation to FIs**.¹⁷¹ In the 2007-13 period, Commission documentation dealing with FIs stressed continually that State aid rules should be respected, but the State aid rules (with exception of *de minimis* rules) were relatively ill-equipped to deal with FIs. For 2014-20, the situation has evolved on several counts. First, a new General Block Exemption Regulation (651/2014) makes specific provision for support for access to finance for SMEs. Second, the Commission has adopted new Guidelines on Risk Finance aid (OJEU C19/4 22/1/2014). Last, so-called 'off the shelf' instruments (see Section 6.5) have been designed by the Commission to be State-aid compliant on the basis of the so-called *de minimis* Regulation (1407/2013).¹⁷² This regulation does, however, involve significant administration for managing authorities.

¹⁷¹ Michie and Wishlade (2011) *op. cit.*

¹⁷² *De minimis* does not involve reporting to the Commission, but the General Block Exemption Regulation does.

3.4 Effectiveness of the EIB's advisory and capacity-building role

As noted in Section 2.3, the EIB provides advisory and capacity-building services to MAs. In many cases, EIB support and advice is offered alongside FIs, and in some instances advice is offered as part of a 'package' specifically targeted at the initiation and implementation of FIs. However, advisory services can also be provided under other OP priorities on a more ad-hoc basis. The EIB provides services in terms of market assessment, gap analysis and feasibility studies for JESSICA and JEREMIE instruments. Additionally, it is involved in capacity-building activities as part of its JASPERS and JASMINE initiatives. Lastly, the EIB also works closely with the Commission on the implementation of FIs and has an advisory and capacity-building role in this context.

3.4.1 JEREMIE gap analyses and JESSICA evaluations

The JEREMIE initiative, aimed at supporting MAs to set up FIs for enterprise support, was established in 2005, whilst Member States were engaged in the programming process for the 2007-13 period. Following this, **the EIF undertook a programme of gap analyses / evaluation studies across interested Member States and regions.** The initiative can to an extent be considered a pilot and should be evaluated as such; the gap analyses undertaken by the EIF were not a regulatory requirement and involved an untested method. The main aim of the gap analyses was to assess and provide recommendations on the suitability of the FI for enterprise support as a means of addressing SME-based economic weaknesses in these selected areas. In all but one case, the analysis was based on secondary data that were in some cases complemented by stakeholder interviews. The gap analyses were valued by MAs as providing an experienced and 'objective view'. The analyses were intended to go beyond existing studies by providing an assessment of possible HF/FIs 'from a portfolio perspective'.¹⁷³ In total, 48 evaluations¹⁷⁴ are reviewed here, of which 18 addressed entire Member States and 30 focused on regions or macro-regional areas,¹⁷⁵ for example, the Eastern Regions of Poland. Most evaluations were delivered in 2007.

A review of these evaluations reveals some common trends (see Table 8). **Every evaluation recommended the use of an HF for enterprise support** in 2007-13, i.e. that it would be of value in addressing some of the SME-related weaknesses identified in each country/region. In each case, the creation of a HF structure was proposed, along with specific funds under Article 44 (1)(a)¹⁷⁶ of the implementing Regulation 1828/2006, which were judged to be an appropriate means of targeting the various identified business needs and/or taking the form of specific types of undertaking. The positive recommendations for adopting HFs can also be seen as contributing to **raising the awareness and profile of FIs in Cohesion Policy.**

In some instances, enterprise support FIs were recommended at the national level but were subsequently only implemented at the regional level. For example, the EIF conducted a JEREMIE evaluation study for Spain as a whole, as well as for nine Spanish regions individually. In this case, enterprise support HFs were subsequently set up within selected regions, but no nationwide HF was established.

¹⁷³ European Investment Bank (2013a) *op. cit.*

¹⁷⁴ In total the EIF carried out 55 evaluations (see Section 2.5.1).

¹⁷⁵ This refers to macro-regional areas at the national level, not those developed at the supra-national level linked to macro-regional strategies.

¹⁷⁶ Commission Regulation (EC) No. 1828/2006 *op cit.*

Table 8: EIF JEREMIE gap analyses and Member State/region actions, 2007-13*

	Number of evaluations	Number of evaluations recommending enterprise support HF/FI (Art. 44a)	Number of MS/regions which have since implemented an enterprise support* HF/FI (Art.44a) at the same spatial scale	Number of MS/regions in which the EIF/EIB is the designated manager of at least one such enterprise support HF at the same spatial scale
Member States	18	18	11	7
Regions (incl. macro-regions)	30	30	13	3

Source: EPRC Research

*This table captures JEREMIE-type structures (see Annex 3), i.e. revolving HF structures under which one or more specific funds supporting Article 44a are implemented. These HFs may not be explicitly named 'JEREMIE' Funds.

Although enterprise support FIs were implemented in some Member States and regions subsequent to the publication of an EIF evaluation, this is not evidence of a direct causal link between the two developments. For example, in some regions such as Catalunya (Spain) the regional government (*Generalitat de Catalunya*) had already made the decision to allocate ERDF funds to create a HF for enterprise support.¹⁷⁷ However, the EIF can be seen to have contributed in an advisory role in all of the cases above.

The **reasons for the non-implementation of enterprise support HF/FI** are also of note in some instances. In Estonia and Denmark, for example, a **lack of sufficient ERDF funds** was a reason for non-implementation. In other cases such as Lorraine (France), the regional authority did **not perceive that an enterprise support HF/FI would be the optimal choice** despite EIF recommendations.¹⁷⁸

In most of the EIF evaluations, the EIF itself was proposed or suggested as HF Manager. As per Article 44 of EC Regulation 1083/2006, the EIB or EIF can be directly assigned as the HF manager by the MA. Alternatively, national administrations or financial institutions (by way of tender) may be assigned. The EIF acted as the HF manager in seven of the 11 national-level funds assessed (Table 8). However, the EIF was assigned as the HF manager only in a minority of regions for which EIF evaluations were produced, specifically Extremadura in Spain and Languedoc-Roussillon and Provence-Alpes-Côte d'Azur in France. Regional governments or regional-level enterprise agencies such as the Innovation and Development Agency of Andalucía (IDEA) – or purposely established enterprise support fund management organisations such as Finance Yorkshire in England (UK) – were more commonly the JEREMIE HF managers in 2007-13.

The gap analyses were funded by the EIF and the Commission. From an MA perspective, this **free service was attractive and played a significant role in the decision not only to undertake the analyses but also to proceed in the establishment of FIs.** Furthermore, without the skills and expertise of EIF personnel the delivery of the analyses would have at best been more limited and constraint and at worst not been carried out at all. The costs of the gap analysis varied significantly, but most MAs would have been unwilling to fund the analyses themselves, particularly because many of them were

¹⁷⁷ European Investment Fund (2007) Estudio de evaluación del acceso a la financiación de la PYME en CATALUÑA, p. 4.

¹⁷⁸ European Investment Fund (2009b) JEREMIE – Joint European Resources for Micro to Medium Enterprises; Progress Report on Evaluation and Implementation Activities in 27 EU Member States, p. 20, available at: http://ec.europa.eu/regional_policy/archive/funds/2007/jji/doc/pdf/jeremie/jeremie_narrativeprogressreport_090701.pdf

unconvinced of the feasibility and added value of using FIs.¹⁷⁹ While the studies were considered a positive contribution, there were also challenges:¹⁸⁰

- **substantial delays** – taking up to two years of a seven-year programme period; and
- **variation in approach despite the common template** – some evaluations involved quite general statistical analyses (mostly due to a lack of data at the sub-national level), whereas others included very detailed descriptions from different actors

On the other hand, Gap Analysis and evaluations have become a standard and obligatory practice in the 2014-20 period, to a great extent based on the EIB and EIF examples.

In a similar exercise to the JEREMIE evaluations outlined above, the EIB delivered a number of feasibility studies / evaluation studies for the JESSICA initiative. Most EIB JESSICA evaluation studies were published in either 2009 or 2010 (see Annex 3). A distribution of the 45 evaluation studies,¹⁸¹ and the subsequent actions of the Member States and regions evaluated, and summarised in Table 9.

Table 9: EIB JESSICA evaluations and Member State/region actions, 2007-13

	Number of evaluations	Number of evaluations recommending Urban Development HF	Number which have since implemented one of more urban development HFs (Art.44b)	Number in which the EIF/EIB is the designated manager of at least one urban development HF
Member States	13	13	5	4
Regions (inc. macro-regions)	32	32	14	13

Source: EPRC research

Each of the EIB JESSICA evaluation studies conducted a needs analysis, and **all 45 supported the use of Urban Development HFs** (or JESSICA-type instruments) as a mechanism for addressing urban development projects, typically due to a lack of existing finance options. Most reports also provided recommendations on the number and scale of possible JESSICA funds.

A minority of the evaluated Member States and regions opted to implement urban development instruments, partly due to the emphasis given to competitiveness and enterprise support in 2007-13 OPs. Hungary, for example, did not establish any urban development HF/FIs in 2007-13, despite the fact that the JESSICA evaluation study had concluded that a urban development HF/FI would 'add to the range of funds available for sustainable urban development'.¹⁸² However, a national-level umbrella HF was set up for enterprise support.

¹⁷⁹ European Investment Bank (2013a) *op. cit.*

¹⁸⁰ European Investment Bank Operations Evaluation (2011) *Ex post evaluation of JEREMIE Evaluation Phase as it relates to the EIF*, Synthesis Report, April 2011.

¹⁸¹ In total the EIB produced 65 JESSICA evaluations. The EIB also produced thematic JESSICA evaluations in some cases, such as a JESSICA Legal Study for Germany and an evaluation for solid waste management in Greece. These thematic evaluations are not reviewed here.

¹⁸² European Investment Bank (2011) *Implementing JESSICA Instruments in Hungary; evaluation study*, Final, Public Version, p. 9, available at: http://ec.europa.eu/regional_policy/archive/funds/2007/jji/doc/pdf/jessica/19-jessica_hungary_en.pdf

In some instances, the choice not to set up a urban development Fund was due to the prioritisation of FIs supporting interventions under Article 44 (1)(c):¹⁸³ energy efficiency and renewable energy in buildings. In Slovakia, for example, no urban development HF was set up after the EIB evaluation, but a State Housing Development Fund FI was set up in 2013. Where urban development type funds have been set up, the EIB has played a substantial implementation role at HF level.¹⁸⁴ In 13 of the 14 regions and four of the five member states which were reviewed and subsequently introduced urban development HFs, the EIB implements the HF.¹⁸⁵

Some interviewees questioned that **the effectiveness of JESSICA feasibility studies, particularly considering the costs involved.** However, the studies were viewed as valuable in **promoting uptake of financial instruments** and could be regarded as a first step towards **animating MAs on the potential use of FIs and building consensus on the approach.** Furthermore, EIB personnel are noted for their high level of expertise and know-how. They often work across whole sectors in different countries and are therefore able to draw from experiences accumulated in these countries and regions and apply them in others.

Lastly, the EIB and EIF's role as advisor and privileged position as HF managers can be perceived as **a conflict of interest.**¹⁸⁶ It could lead to a situation where the EIB provides recommendations that favour its position as a HF manager. It should be noted that the ultimate decision with regard to HF management lies with the managing authority and not with the EIB and EIF. Furthermore, JEREMIE and JESSICA were pilot initiatives and required EIF and EIB expertise in their development. The EIB and EIF have undertaken a number of steps to address this risk. First, in the 2007-13 period, large parts of the **evaluations were outsourced** to an external consultant under a framework contract. Second, in the case of FIs for enterprises the 2014-20 compulsory **ex-ante assessment which must be carried out before OP resources can be committed to FIs consists of two steps**, a market assessment and a 'delivery and management' block, which includes a proposed investment strategy. MAs can choose whether they want the EIF to carry out the investment plan after the assessment has been carried out (see Section 6.2). Third, for 2014-20 the **generic advisory services for all ESIF financial instruments have been grouped in a single technical assistance platform – fi-compass** – a joint initiative by the EIB and EC which can operate independently from its mandate management divisions (see Section 6.4).

3.4.2 JASPERS

Since 2006, **the JASPERS facility has completed over 1000 assignments.** During the 2007-13 period, a total of 470 applications for funding for major projects were submitted to the Commission, 435 of which were approved and received assistance from the JASPERS initiative. The total investment cost for the major projects supported by the JASPERS initiative from 2007 to 2014 was EUR 71.7 billion, of which EU grants made up EUR 42.4 billion.¹⁸⁷

¹⁸³ Commission Regulation (EC) No. 1828/2006 *op. cit.*

¹⁸⁴ The EIB does not implement specific funds (i.e. Urban Development Funds – UDFs).

¹⁸⁵ Some regions, such as Galicia in Spain, are covered by more than one multi-region Article 44b HF.

¹⁸⁶ European Investment Bank Operations Evaluation (2011) *op. cit.*

¹⁸⁷ European Investment Bank (2015a) JASPERS in the 2014-2020 programming period, available at: http://www.eib.org/attachments/thematic/jaspers_leaflet_2015_en.pdf

A 2012 evaluation notes that the JASPERS facility has a **broad reach in terms of scale** (i.e. the average number of themes per major project) **and scope** (i.e. the types of services it offers). Other findings included:¹⁸⁸

- a **reduction in the decision duration** of projects by an average of 114 days (from 386 to 272 days);
- **no difference in interruption rates**¹⁸⁹ by DG REGIO in comparison to non-JASPERS projects;
- **positive impact on the quality of project** development as well as on the underlying quality of projects; and
- JASPERS work on individual projects and its horizontal assignments have the potential to **increase administrative capacity** among stakeholders in the Member States.

3.4.3 JASMINE technical assistance

From 2010 to 2013, the EIF, through the JASMINE initiative, **provided TA to 70 selected microfinance institutions across Europe**. This included 22 rating reports, 62 assessment reports and 921 training days. In total, 30 microcredit providers benefited from the JASMINE facility in 2013

A 2013 evaluation notes concrete evidence of the benefits of the JASMINE facility.¹⁹⁰ The instrument has introduced **changes in the way microfinance providers operate**, which resulted in improvements to operational efficiency, productivity and/or external relations (with customers and/or investors). However, it is difficult to attribute tangible outcomes to the business development services. JASMINE TA is also judged to have strong added value, and its business development services are regarded as highly relevant for enhancing the capacity, professionalism and performance of the European microcredit sector. Furthermore, it is noted that there is evidence of positive feedback from beneficiaries and a growing demand for both JASMINE TA and a wider range of TA (see Table 10).

¹⁸⁸ AECOM Economics (2012) *op. cit.*

¹⁸⁹ Interruptions are one of a range of measures that the Commission can apply to be able to guarantee that Community funds are spent well and properly and respond to irregularities (i.e. interruption of payments, suspension of payments, financial corrections).

¹⁹⁰ European Commission (2013c) *op. cit.*

Table 10: Beneficiaries of JASMINE support in 2013

Country	Microfinance institution
Bulgaria	Mikrofond AD Nachala Cooperative
France	Créa-Sol
Germany	Goldrausch HSZ Consulting Mikrofinanzwerk Objektiv Smart Mikrokredit VS Finance GmbH
Greece	Business and Cultural Development Centre (KEPA)
Italy	ACAF Italia Banca di Credito Cooperativo (BCC) Mediocrati Banca di Credito Cooperativo (BCC) Emilbanca MAG Verona PerMicro Prestiamoci Un raggio di Luce
Poland	Lublin Development Foundation Warmia and Mazury Regional Development Agency Kujawsko-Pomorski Loan Fund
Romania	C.A.R. Sanatatea C.A.R. CFR C.A.R. Invatamant C.A.R. Sanitar Valcea C.A.R. Sanitar Brasov C.A.R. Tractorul Brasov Opportunity Microcredit Romania (OMRO) Patria credit
Spain	Seed Capital de Bizkaia
UK	WCVA (Wales)

Source: EIF website (September 2015)

3.4.4 Advising the Commission and Managing Authorities

The EIB and EIF can also be informally consulted by the Commission to assess some technical provisions of the regulations and its "feasibility" in implementation. In the early 2000s, when DG REGIO sought to develop its use of FIs, it relied upon the EIB as well as other DGs that had already built up experience (e.g. DG ECFIN). Also for the 2014-20 period the EIB was informally consulted by the Commission services. However, the EIB and EIF, similar to other consulted stakeholders, assess the implementation of the provisions on the basis of their own implementation methods, legal and financial context (liabilities and risk assessment with the banks own rating requirements) and financial returns of the potential contributions and participations of the bank. Whilst the introduction of FIs meant that the Commission relied on the EIB for technical expertise and had to build up capacity, the EIB increased involvement in Cohesion Policy meant it had to build up expertise in terms of understanding the complexities of the Policy. At a legislative level, the EIB and EIF provide **practical and informal policy advice** rather than setting policy objectives. The EIB and EIF are a policy delivery body and do not provide direct policy advice in terms of content.

However, interviewees noted that the EIB's position of having direct understanding and interactions with financial intermediaries and also working in close cooperation with the Commission means that it is well positioned to understand the practical implementation of the regulations and the type of issues that intermediaries may face when implementing FIs funded through Cohesion Policy. In other words, because of its expertise and experience **the**

EIB is can provide the Commission with insights on whether, from the EIB and EIF's perspective, the regulatory provisions are workable and attractive to financial intermediaries.¹⁹¹ It is important to note, however, that the EIB and EIF do not have a formal role; **drafting the regulatory framework is the responsibility of the Council, Commission and European Parliament**; their suggestions and comments are treated as advisory by the Commission and can be rejected or diluted.

In addition the EIB and EIF services also provide **advisory services in the context of its mandate management activities**. These services are not part of its contractual arrangement. The EIB and EIF argue that these services contribute significantly to building capacity in those Member States where implementation structures for FI are weaker. The EIF notes that its role in designing products and seeking clarification from the Commission with regards to the legal framework were considered valuable by managing authorities for which it acted as HF manager. The EIB also worked closely with the Commission (DG Regio) to build capacity among Commission staff in relation to FIs, for example through a secondment programme.

Lastly, the **EIB also offered advisory services as part of its (b)lending activities** (e.g. National Strategic Reference Framework (NSRF) implementation associated to SPLs and FLs; lessons learned and best practice; strategy advice; and monitoring).

3.5 Mandate management

As mentioned in Section 2.4, the EIB's role as holding fund managers in Cohesion Policy was new in the 2007-13 period. However the EIF, for whom mandate management is a core function, has over twenty years of experience in this area. At the start of 2007-13 period, the EIB (including the EIF) did not anticipate taking up positions as fund managers of HFs. However, appropriate HF managers with sufficient levels of expertise (especially in relation to urban development) could not always be found at the Member State level and hence the EIB was asked to become HF manager. This demonstrates the additionality of the EIB and its ability to fill market gaps. Currently, the EIB employs around 45 staff in its role as HF manager.

3.5.1 Effectiveness of urban development and enterprise support holding funds

The effectiveness of holding funds can be measured in different ways. At a very basic level, this involves the extent to which final recipients are able to absorb funding that has been made available. In terms of advisory services and capacity-building activities, it relates to the extent to which these practices are able to generate relevant projects. Subsequently, these projects are expected to achieve certain results that contribute to the policy objectives. The Cohesion Policy framework for 2014-20 provides a structure that ultimately aims to measure the result of activities in terms of their contribution to policy.

Currently, **effectiveness is mainly measured in terms of financial absorption and inputs and very little is yet known about the actual outputs and results of FIs**. There are also few data available on repayments or the full extent of management costs for operating FIs. This makes it difficult to assess the effectiveness of financial instruments.

¹⁹¹ Other stakeholders and national financial institutions can perform a similar role.

In terms of financial commitments and payments, four types of 'spend' can be identified:¹⁹²

- OP contributions committed in funding agreements (policy intent);
- OP contributions paid to HF or specific funds;
- OP contributions paid by HFs (where they exist) to specific funds; and
- OP contributions invested in final recipients in the form of loans, guarantees and equity.

Analysis suggests that there is an insufficient level of absorption. The total amount of OP contributions committed to FIs (policy intent) by the end of 2014 was in the region of EUR 17.1 billion, of which over EUR 16 billion had been paid into either a HF or a specific fund. Although there are some questions about the accuracy of the data (see also Section 4.2), it appears that by the end of 2014 EUR 9.2 billion had reached the final recipient – an increase of almost 40 percent compared to 2013, and meaning that 57.4 percent of the OP contributions were paid into FIs.¹⁹³ The low rate of disbursement of Cohesion Policy funding in financial instruments to final recipients has previously been a concern for the European Parliament.¹⁹⁴

This low level of absorption can be partly explained by **delay in setting up FIs** in the 2007-13 period. These delays can, among others be accredited to the complexities of the regulatory framework and crisis. When comparing the financial instruments for enterprises (Article 44 (1)(a)) and urban development (Article 44 (1)(b)), the latter initiative has performed less well than expected. In the context of the financial crisis, it was difficult for urban authorities to implement ambitious urban projects, and the appetite for risk also significantly decreased. There are cases in which urban development FIs have worked well (for example, the London Green Fund) but in countries such as Italy the financial crisis caused major difficulties. Moreover, the low absorption rates also raise some important questions about the ability of FIs to find appropriate projects and beneficiaries.

However, there are other explanations for lower absorption rates. As mentioned, HFs can comprise a number of specific funds, which provides flexibility in spending. For example, the urban development HF for Lithuania has seven specific funds (Urban Development Funds). In some instances the HFs only contain a limited number of specific funds (sometimes only one), which raises questions about why a HF structure was adopted, as the benefit of having added flexibility disappears and fees have to be paid to both the HF and specific fund managers (for details, see Table 4 above).¹⁹⁵ There are, however, explanations for adopting a HF structure.

- **Ensuring absorption** – in the 2007-13 period, there were considerable advantages in setting up a HF early so that N+2 rules could be bypassed, as transferring funds into a HF counted as expenditure. The Commission discouraged this practice and the 2014-20 regulations contain measures to prevent it.
- **Providing certainty** – setting up a HF early provided the financial intermediaries (and the EIB) with the certainty¹⁹⁶ that commitments were being kept. Once the funds were transferred into the HF, the intermediary could carry out further market analysis knowing that the funding was secured.

¹⁹² Wishlade and Michie (2015) *op. cit.*

¹⁹³ European Commission (2015d) *op. cit.*

¹⁹⁴ European Parliament (2015a) Opinion of the Committee of Regional development for the Committee of Budgetary Control on the European Investment Bank (EIB) – Annual Report 2014, 13 November 2015.

¹⁹⁵ This may reflect unforeseen difficulties in setting up additional Urban Development Funds.

¹⁹⁶ Although this 'certainty' was viewed as important in encouraging the participation of private sector intermediaries in particular, funds could be potentially still be transferred back to the MA'.

- **Flexibility** – HFs allow fund managers to shift funds between FIs in case of underperformance and provide the opportunity to establish new instruments if necessary.

Nevertheless, such an approach also has disadvantages. As the ex-ante analyses for FIs can be considered a pilot initiative, in some cases not enough market research was carried out prior to approval and as a consequence absorption was often overestimated. This must also be seen in the context of the financial crisis and the increased aversion to risk. Second, some interviewees argue that HFs can be too rigid. Once funds have been committed, there are no longer opportunities to shift funding between priority axes in OPs to enable quicker spending (although funds can be shifted between FIs). Renegotiating a HF agreement is theoretically feasible but very difficult, as a HF involves detailed contractual arrangements. The ability to attract private sector funding is one of the appeals of FIs. However, in general, **the extent of private contributions to OP commitments appears to be rather modest (although reporting on this was limited during the 2007-13 period)**. The European Court of Auditors noted the poor capacity of Structural Funds programmes to leverage in private investment in comparison with other EU SME programmes. The leverage ratios achieved ranged from around 1 (no leverage of private funding) to 2.75. This poorer outcome was attributed to a lack of fit between the Structural Funds regulations and the specific features of FIs, as well as weaknesses in the gap analyses carried out.¹⁹⁷ However, a direct comparison is difficult to make as EU-level mandates do not have regional restrictions, have different deadlines, target different markets and final recipients, do not require State aid notifications and by some considered less complex in terms of regulatory provisions.

The effectiveness of FIs can also be measured in terms of the risk associated with the types of project that are supported. A European Parliament Study in 2012¹⁹⁸ found that **investing through FIs does not imply greater financial risk to the EU budget than grants**. Instead, the main risks are foreseen to be in relation to inadequate returns below the opportunity costs of capital, and poor performance from the Cohesion Policy budget compared to grants. As FIs usually finance projects that generate a financial return, the stock of projects is inevitably more limited than those seeking grant funding.¹⁹⁹ As a result, the implementation of FIs has taken longer than was initially anticipated, particularly in those cases where instruments were introduced after the start of the 2007-13 programme period and involved a high number of varied stakeholders. This has meant that FIs for enterprises (Article 44 (1)(a)) have been easier to implement than those relating to urban development (Article 44 (1)(b)).²⁰⁰

Lastly, effectiveness can be measured in terms of the extent to which funding initiatives contribute to Cohesion Policy objectives. However, at present **there is little information available as to the extent to which the results are achieved**, partly because of the lack of data but also because results are only likely to become apparent in the long term.

3.5.2 EIB performance and management

Turning to the overall performance of the EIB, Table 11 provides a comparison of EIB and non-EIB managed holding funds and their progress with implementation, compiled from summary data provided to the Commission by Member States.²⁰¹

¹⁹⁷ European Court of Auditors (2012) *op. cit.*

¹⁹⁸ European Parliament (2012) *op. cit.*

¹⁹⁹ This particularly applies to those cases where FIs target urban areas, for example JESSICA; see: Dabrowski (2015) *op. cit.*

²⁰⁰ Commission Regulation (EC) No. 1828/2006 *op. cit.*

²⁰¹ European Commission (2015d) *op. cit.*

It should be noted that reporting in relation to FIs only became a requirement in 2011 and even then, the majority of the data available are the result of voluntary submissions from Member States (see Section 4.2). As such, there are inherent accuracy and comprehensiveness issues with the performance data for FIs during this period. The data are made available by Member States through their Annual Implementation Reports. The data are extensively checked (manually and automatically), and the Commission follows up Member State submissions where they expect inaccuracies. Nevertheless, missing information and inaccuracies remain a problem. The main limitations regarding this data are outlined in Section 4.2, but for interpretation purposes it is worth mentioning here that:

- some holding funds appear to be reported as specific funds; and
- in some cases, contributions to the specific fund exceed the commitment to the holding fund, or contributions to final recipients exceed the specific fund allocations (this is not necessarily a mistake, but on occasions it does appear to be the case).

Despite these limitations and inaccuracies, it remains possible to make a comparison between the effectiveness of EIB and non-EIB HFs, as Table 11 demonstrates. The summary data report identifies 30 EIB/EIF HFs²⁰² and 46 non-EIB HFs. For some FIs and HFs insufficient data was available to be included in the analysis; these have been excluded.

In terms of the total OP contribution to the HF reaching the FIs, **the summary data indicate differences between HFs managed by the EIB and those that are not.** EIB HFs, on average, committed 63.83 percent of the OP contribution to the FIs, while non-EIB HFs committed slightly more with an average of 85.44 percent. It is interesting to note that, for the previous year of summary data, there was little difference between the two, respectively 65.77 and 68.19 percent. The difference is even greater when focusing on HFs for enterprises (Art. 44 (1)(a)), with EIF managed HFs passing on 48.64 percent and non-EIB 85.42 percent.

There is also a significant difference regarding the proportion of the total OP contribution that reached final recipients. In the case of non-EIB HFs, on average, 64.1 percent of the OP contribution reached the final recipient (up from 44.0 percent in the previous year). The EIB HFs only invested 46.3 percent (up from 26 percent in the previous year), indicating a substantial gap in performance between EIB and non-EIB HFs. It should be noted that internal monitoring data provided by the EIB demonstrate a much higher absorption than those suggested in the Commission summary report. It suggests that 100 percent absorption (in respect of disbursement to final recipients) was reached by a majority of HFs for urban development by the end of 2015.²⁰³ Such discrepancies in data should be examined in further detail before any firm conclusions can be drawn.

There are a number of potential explanations for these differences. First, the **HFs managed by the EIB and EIF may have been established with delays.** The EIB and EIF were also restricted in the sense that it **required legal certainty and avoid regulatory risks.** This meant it had to wait for clarifications before implementation. However, a comparison of the year of set-up of HFs suggests that EIB HFs were established on average one year before (2010) non-EIB HFs (2011). A more in-depth analysis goes beyond the scope of this study but should also take into account the year in which FIs were established. The involvement of the EIB in HF management in itself can be regarded as a lack of capacity or other difficulties at the domestic level to implement HFs therefore making implementation more challenging. In those cases where there was sufficient capacity domestically it would not have been

²⁰² Feedback from the EIB indicates that the summary report contains factual errors and there are in fact 31 EIB/EIF HFs (16 EIB and 15 EIF).

²⁰³ EIB internal monitoring data.

necessary for the EIB and EIF to act as a HF manager. **This demonstrates the added value that EIB and EIF mandate management in terms of capacity building.** This is particularly important in the context of the financial crisis which affected those areas (southern Europe) in which the EIB and EIF holds a high number of mandates particularly hard.

Table 11: Holding fund performance data 2007-2013

HOLDING FUNDS	% of Total OP Contribution to Holding Fund Reaching FIs	% of Total OP Contribution to Holding Fund Reaching Final Recipients
EIB Holding Funds		
All Holding Funds	63.83% (Sample: 28/30 HFs)	46.31% (Sample: 26/30 HFs)
Art. 44 (1)(a) Enterprises	48.64% (Sample: 12/13 HFs)	49.47% (Sample: 12/13 HFs)
Art. 44 (1)(b) Urban Development	75.25% (Sample: 16/17 HFs)	43.27% (Sample: 14/17 HFs)
Non-EIB Holding Funds*		
All Holding Funds	85.44% (Sample: 43/46 HFs)	64.12% (Sample: 40/46 HFs)
Art. 44 (1)(a) Enterprises	85.42% (Sample: 37/39 HFs)	70.22% (Sample: 35/39 HFs)

* In those cases where funds reaching the FIs exceeded the total commitment to holding funds, this was calculated as 100% in order to not to skew the analysis.

Source: Data compiled from European Commission (2015d) Summary of data on the progress made in financing and implementing financial engineering instruments (see Annex 4 for data details)

3.5.3 Management costs

For the 2007-13 period, Article 43(4) of the Implementing Regulation set out certain thresholds for management costs and fees, established as a percentage of the capital contributed from the OP which may not be exceeded, on a yearly average. Management costs refer to cost items reimbursed against evidence of expenditure, and management fees refer to an agreed price or compensation for services rendered.²⁰⁴ Some of the reporting issues may have originated from this distinction.

It is currently difficult to assess the full scale of management costs under co-financed FIs. For most FIs, no fees are explicitly reported.²⁰⁵ The information provided by Member States in the summary report²⁰⁶ suggests that some of the data on costs are implausible, but it is not clear which figures are (un)reliable (see Section 4.2). In some Member States (for example Slovakia), fund management costs seem very high in comparison to amounts invested in final recipients. More generally, MAs have voiced a range of different opinions regarding management fees; some considered them reasonable, whereas others were of the opinion that as the EIB is a Community body it should not charge for its services.²⁰⁷ Furthermore, it is worth noting that the EIF and EIB work according different models in terms of their mandate management fees. Urban development HFs are essentially implemented on a non-profit, cost recovery basis. The EIF does operate on a profit-making basis.

When comparing the percentage of OP contributions paid as management costs and fees of all HFs, **there is little difference between EIB and non-EIB HFs** (see Table 12). **Based on the summary data the EIF does appear to be more expensive.** EIB HFs, on average, took 5.21 percent while non-EIB HFs took less with 4.99 percent. This gap widens

²⁰⁴ European Commission (2012b) *Revised Guidance Note on Financial Engineering Instruments under Article 44 of Council Regulation (EC) No. 1083/2006*, available at: http://ec.europa.eu/regional_policy/sources/docoffic/cocof/2010/cocof_10_0014_05_en.pdf

²⁰⁵ Wishlade and Michie (2015) *op. cit.*

²⁰⁶ European Commission (2015d) *op. cit.*

²⁰⁷ Michie and Wishlade (2011) *op. cit.* p. 23.

when comparing HFs for enterprises (Article 44 (1)(a)).²⁰⁸ EIF-managed HFs for enterprises received on average 6.65 percent of the total OP contribution as management costs and fees, while non-EIB HFs for enterprises received 4.88 percent. This difference is more pronounced when comparing EIF-managed HFs for enterprises with EIB-managed HFs for urban development, which had an average management cost and fee rate of 4.15 percent.

The difference between EIF managed HF and EIB-HF respectively non-EIF HF can be partly explained by the difference in fees for different products. The fees for equity instruments (9.2%) are higher than for loan or guarantee instruments (4.2% respectively 3.1%).²⁰⁹ **Other fund and country specific factors may also play a role in determining the structure and size of the management fee.** The EIF for example argues that it operates in Member States with low level of capacity and consequently has to charge higher fees to provide services. The EIF also notes that the **expertise it can offer in terms of setting up the governance structure, FIs procurement, negotiations of Operational Agreements, treasury, monitoring, reporting and advising in state aid is of significant value.** Additionally, fees are calculated on the basis of a range of factors (e.g. leverage, ability to mobilise private investors, number of transactions, uptake per instrument, redesign of investment strategy due to external factors, etc.) which differ across Member States. Lastly, according to the EIB and EIF and as mentioned in Section 3.3.2 the 2007-13 **regulatory framework presented considerable challenges** for the EIB and EIF in implementing HFs as it could only implement HFs when it received legal certainty and therefore had to wait for clarifications of the regulation, leading to delays.

Table 12: Management costs of EIB and non-EIB holding funds

HOLDING FUNDS	Management Costs as % of Total OP Contribution to Holding Fund 2013
EIB Holding Funds	
All Holding Funds	5.21 % (Sample 26/30)
Art. 44 (1)(a) (enterprises)	6.65% (Sample 11/13)
Art. 44 (1)(b) (urban development)	4.15% (Sample 15/17)
Non-EIB Holding Funds*	
All Holding Funds	4.99% (Sample 30/46)
Art. 44 (1)(a) (enterprises) Holding Funds	4.88% (Sample 28/39)

* Those cases where management fees were 0% have not been included in the analysis.

Source: Data compiled from European Commission (2015d) Summary of data on the progress made in financing and implementing financial engineering instruments (see Annex 4 for data details)

Looking ahead, for the 2014-20 programme period there are more **detailed provisions, and stricter limits and the imposition of specific methodologies for establishing costs and fees** suggest that there will be lower management fees overall.²¹⁰ Interviewees noted that the new rules for fund management fees makes the direct rewards from fund management less attractive for financial intermediaries. Therefore, other incentives for taking on the role of fund managers have to be used, such as appealing to their social and corporate responsibility role or highlighting the potential access to a new client base through fund management.

3.6 Effectiveness of the EIB's lending activities in Cohesion Policy

The EIB has a significant effect on EU expenditure, an effect which has increased over the past two decades. **EIB financial products make an important contribution to EU**

²⁰⁸ Commission Regulation (EC) No. 1828/2006 *op cit.*

²⁰⁹ European Commission (2014d) *op. cit.*

²¹⁰ Wishlade and Michie (2015) *op. cit.*

economic development expenditure.²¹¹ Yet most academic studies of policy sectors in which the EIB is active pay it little attention both in general²¹² and more specifically in the field of regional policy.²¹³ One of the few academic studies to have been undertaken argues that the effectiveness of the EIB (particularly in the context of the economic crisis) is 'underpinned by its close links and responsiveness to policy-making, its speed to increase lending and the ability of member countries rapidly to increase its subscribed capital, which facilitated increased lending in combination with retention of its AAA ratings'.²¹⁴ This study does not aim to fill this gap, instead it, reviews evaluations and literature that have been produced, sets out some of the key issues and identifies areas for further research.

There is a limited body of academic and policy literature on the effectiveness and added value of EIB financing activities in relation to Cohesion Policy. Robinson notes that many EIB projects work on the basis of partnership between the Structural Funds and EIB loans. However, **the scale of EIB lending to projects that are also funded through Cohesion Policy is unknown.** As a consequence, it could be the case that some leverage effects or added value presently ascribed to Structural Funds are actually the result of EIB and Cohesion Policy activity combined. It could also mean that the leverage effect/added value of EU activities as a whole has been underestimated.²¹⁵

3.6.1 Structural Programme Loans

An ex post evaluation of the use of Framework Loans to finance investment in the EU over the 2000-11 period states that **Framework Loans are a relevant and, especially in the SPL case, effective instrument.** These loans allow the EIB to target areas of European development which were previously unsupported or in receipt of only limited support. It creates leverage through blending with national, regional or EU grant or loan funding. These loans also allow the Bank to reach out to smaller schemes, often at the sub-state level. SPLs were more frequently rated as a satisfactory instrument than other non-SPL framework loans. The programmes to which SPLs contribute were better prepared and their objectives better defined.²¹⁶ As SPLs contribute to Cohesion Policy programmes, this demonstrates the high level of added value of EIB lending to these programmes.

According to the ex-post evaluation the EIB's contribution to SPLs is considered low. One reason is that the Bank has no influence on the content of the loans, as they are defined by the Operational Programmes. At most, certain measures or priorities within the OPs can be selected to form an EIB project. As a result, the projects do not always form an integrated programme that clearly addresses a single EIB priority. However, all schemes do fulfil one or more of the EIB's eligibility criteria. Both EIB and Commission priorities stem from EU policy and therefore have significant overlap; in practice, the evaluation of SPLs indicates that OPs may have a fairly weak link to current EIB priorities²¹⁷, which can lead to limitations in terms of EIB involvement. The implementation of SPLs faces a number of other challenges. First, the sheer number of sub-projects that are implemented per operation poses capacity and control challenges for the EIB. Second, sub-project allocation approvals are often more

²¹¹ Robinson (2009) *op. cit.*

²¹² Robinson (2009) *op. cit.*

²¹³ Bache I (1998) *The Politics of European Union Regional Policy: Multi-Level Governance or Flexible Gatekeeping?* Sheffield: Sheffield Academic Press; Hall R, Smith A and Tsoukalis L (eds) (2001) *Competitiveness and Cohesion in EU Policies*, Oxford: Oxford University Press; Doria L, Fedeli V and Tedesco C (eds) (2006) *Rethinking European Spatial Policy as a Hologram: Actions, Institutions, Discourses*, Aldershot: Ashgate.

²¹⁴ Griffith-Jones S and Tyson J (2012) *op cit.*, p. 8.

²¹⁵ European Parliament (2013b) *The implications of EIB and EBRD co-financing for the EU budget: follow up*, Study for the Directorate-General for Internal Policies, Policy Department D: Budgetary affairs, available at: [http://www.europarl.europa.eu/RegData/etudes/etudes/join/2013/490670/IPOL-JOIN_ET\(2013\)490670_EN.pdf](http://www.europarl.europa.eu/RegData/etudes/etudes/join/2013/490670/IPOL-JOIN_ET(2013)490670_EN.pdf)

²¹⁶ European Investment Bank Operations Evaluation (2012) *op. cit.*

²¹⁷ Ibid,

based on eligibility and exclusion criteria and a certain perception of (regulatory and reputational) risk, rather than on their consistency and actual contributions to the realisation of the objectives of the investment programme.^{218,219}

Commentators have argued that improving the effectiveness SPLs (and framework loans more generally) requires **a more programmatic approach to implementation** (i.e. adopt a set of indicators and targets to provide proof of effectiveness, rather than collecting information on huge numbers of individual allocations without necessarily enquiring about their achievement for the wider programme). Also, it has been suggested that the EIB should accept a certain level of risk rather than creating the ‘illusion of control’ by establishing an individual project-monitoring framework that it does not have the resources to control. This would imply earlier involvement of the EIB and a more pro-active role in the Cohesion Policy programming phase (either Partnership Agreements or OPs). It would allow the Bank to streamline the allocation process and enhance the level of control over the investment.²²⁰ To an extent, such an approach is already possible and has become more apparent in the 2014-2020 period, as the EIB are in certain cases consulted in the development of Partnership Agreements and Operational Programmes and also attend Monitoring Committees as an observer on a selective basis.

3.6.2 Co-Financing for FIs in Cohesion Policy

In some cases the EIB co-finances FIs. To date, there is no accurate information available at the aggregate level regarding the EIB lending in relation to FIs.²²¹ Box 4 provides an example of some of the benefits and challenges of EIB lending in relation to Cohesion Policy. One of the main challenges is the EIB’s insistence on the treatment of its loan as senior debt (i.e. a debt that takes priority over other unsecured or otherwise more junior debt), which prejudices potential private sector equity investment.

²¹⁸ An investment programme is made up of many schemes implemented by the same promoter or a group of separate projects with different promoters coordinated by a central body. Investment programmes in SPLs must fit within the Operational Programmes.

²¹⁹ European Investment Bank Operations Evaluation (2012) *op. cit.*

²²⁰ *Ibid.*

²²¹ Through the EIB project database a number of credit lines for enterprise FIs (JEREMIE) in the UK and urban development (JESSICA) in Lithuania and Spain can be identified. However, it is not possible to search the database systematically to identify all credit lines to FIs.

Box 4: EIB Co-financing for JEREMIE initiatives in the UK

A mid-term review of the JEREMIE funds in England in 2007-13 noted that they use a mix of ERDF and other public sector grant matched with a loan from the EIB. The EIB loan is a substantial source of pre-match funding for the JEREMIE projects.

An important feature of the way the EIB has provided finance to the projects is that, as they generate returns, the EIB loan is repaid first. The mid-term evaluation notes that this condition of the EIB loan from the perspective of the FI is sensible in that it minimises the cost of the EIB loan to the funds.

There were a number of potential disadvantages of the JEREMIE approach depending on the circumstances, including the complexity and cost of the fund of funds model, the costs and seniority of the EIB debt-financing (although EIB financing costs were highly competitive versus commercial banking options at the time). Moreover, it places the balance of risk associated with fund performance on public sector investors (ERDF in particular), although this is a reflection of the use of substantial debt-financing in the model. It significantly reduces the attractiveness of private equity investment into the fund alongside the EIB and ERDF, and the project developers' investigations at the time confirmed this (although this also reflects the perceived returns that the funds generate). The EIB's insistence on the treatment of its loan to the HF as senior debt also prejudices potential private sector equity investment.

In addition, some of the funds co-financing FIs were required to introduce the entire EIB loan at the start, which increases the lifetime costs of the loan finance (compared to introducing the loan in tranches). A positive aspect is that it generated higher-than-forecast treasury income to offset the Fund's costs, in part the result of this initial drawdown of the full EIB loan and the interest it earns on the large cash deposit it represents.

Source: Regeneris (2013) *Mid-Term Review of the English JEREMIE Funds*, available at: <http://british-business-bank.co.uk/wp-content/uploads/2013/10/Northern-JEREMIEs-Review-Summary-Report-Final-07-11-13.pdf>

One measure of success mentioned by interviewees in terms of lending activities is that the EIB enjoys a high level of **continuity in terms of the partners** with which it does business. Often after a successful loan agreement, multiple further consecutive loan agreements are planned. In terms of its lending, the EIB is less bound by Cohesion Policy regulations, and its relationship is primarily based on a contractual arrangement that takes regulations into account but can also be flexible. This means that the EIB can exercise considerable flexibility in offering solutions.

3.7 Effectiveness of other instruments

3.7.1 COSME

It is difficult to assess the effectiveness of COSME FIs, as the programme is at an early stage. Currently, it appears more feasible to assess the efficiency of its predecessor – the CIP. According to the CEPS study on FIs (2012), the Growth and Innovative SME Facility (GIF) and the SME Guarantee Facility (SMEG) have proved to be relatively successful, with high demand for the instruments, and both have reportedly had substantial leverage effects. Surveys demonstrated that two-thirds of the GIF beneficiaries considered that, without GIF, the business would not have achieved the same level of investment. For the SMEG, about half the SMEs considered their business could not have been set up without SMEG loan support.

However, the evaluations also noted several problems. Proper coordination between the various DGs managing parts of the CIP was lacking, strategic steering and coordination with other EU initiatives for SMEs was needed. **Moreover, complementarity was identified with some other SME assistance instruments under Cohesion Policy.** With regard to the instruments' European added value, the GIF assistance proved to be more valuable as it directly addressed one of the core weaknesses in Europe (lack of finance for innovative SMEs), introducing an important new financing scheme in Member States. At the same time, the results were more controversial for the SMEG: similar national schemes for assisting

SMEs existed in many Member States; and the programme was criticised for considerable deadweight loss. The value of the SMEG programme was therefore questionable in countries where similar instruments already existed, and the SMEG could thus replicate or compete with them. Weaknesses regarding the instruments' monitoring and reporting were also noted. For example, the impact of the programmes was not monitored using a standard set of indicators to record and report progress, and the Commission reportedly had difficulties tracing the use of funding offered to financial intermediaries.²²²

COSME was intended to address some of the weaknesses associated with the CIP instruments, e.g. with regard to monitoring and reporting, coordination with other EU initiatives for SMEs, and avoidance of overlaps. Thus, linking GIF1 (see Section 2.6.1) for start-up SMEs with the RSI programme for Horizon 2020 has been seen as one of the ways to avoid overlaps. In general, COSME FIs work in conjunction with Horizon 2020, even though the programmes have different foci. COSME has replaced the Innovation and Entrepreneurship strand of the CIP, and the other activities have been merged into Horizon 2020. While COSME focuses on support to create a favourable business environment, increased competitiveness and riskier SMEs, Horizon 2020 focuses on innovation-driven SMEs. At the same time, complementarities with the ESIF operations supporting SMEs under shared management may still exist. Furthermore, the **EIF's strategic role as fund manager for COSME enables cross-fertilisation between Cohesion Policy and other sources of funding.**

3.7.2 Risk-sharing instrument and InnovFin SME Guarantee Scheme

As with COSME it is difficult to evaluate the effectiveness of the InnovFin SME Guarantee Facility due to its recent establishment. The available RSFF evaluations provide some information regarding the efficiency of its predecessor. Overall, from 2007-13, the RSFF financed 114 R&I projects with EUR 11.3 billion and provided loan guarantees worth over EUR 1.4 billion. This reportedly catalysed a further EUR 37.2 billion in private investment in European innovation.²²³ Evaluations of the RSFF in 2010 (one by the EIB and one by an EU-commissioned expert group) presented overall positive findings.²²⁴

The EIB conducted a number of evaluations of the scheme. Although positive about the RSFF achievements overall, an evaluation of the RSFF undertaken by the EIB in April 2010, along with an evaluation by a group of independent experts the same year, highlighted its failure to adequately deliver a framework which reflected the needs of SMEs. The EIB evaluation pointed out that, while the RSFF successfully assisted large companies and Mid-caps, it did not 'seem to be the right instrument to address SMEs'.²²⁵ On the basis of this conclusion, it was recommended that the RSFF should improve its specific focus on SMEs, which stimulated the launch of the RSI.²²⁶ The instrument was introduced in collaboration with the EIF, which assumed the implementation tasks, thus ensuring the continuity of the EIB's role in this domain.

²²² Núñez Ferrer *et al.* (2012) *op. cit.*

²²³ For more information, see: <http://www.eib.org/products/helpingyouinnovate/index.htm?launchtool>

²²⁴ European Parliament (2011b) *op. cit.*

²²⁵ European Parliament (2011b) *The implications of EIB and EBRD co-financing for the EU budget. Study, Directorate General for Internal Policies, Policy Department D: Budgetary Affairs, Brussels; European Investment Bank Operations Evaluation (2010) Evaluation of Activities Under the Risk Sharing Finance Facility (RSFF), Luxembourg: EIB.*

²²⁶ Núñez Ferrer J, Volkery A, Withana S, Medarova-Bergstrom K (2012) *The Use of Innovative Financial Instruments for Financing EU Policies and Objectives – Implications for EU and National Budgets.* Centre for European Policy Studies, Brussels.

The EIB Second Evaluation of the RSFF²²⁷ (2013) similarly reached the conclusion that the RSFF 'fulfilled its role in an adequate manner, contributing to the reduction of market failures in allocating additional resources to RDI'. Partnership between the Commission and the EIB was noted to be efficient, improving an initial incomplete design and providing for mutual learning.²²⁸ The relevance of the RSFF was considered to be clear due to the alignment with the Lisbon Strategy, FP7 and EIB Knowledge Economy objectives. In addition, it was noted that the likelihood of the RSFF maximising its potential impact had been hindered by the absence of clearer ex-ante objectives and targets. In terms of effectiveness, the facility was noted to have achieved (or to be on track to achieve) most of its performance indicators one year before the end of the RSFF's availability period, as well as achieving a wide geographical distribution. However, its contribution to filling the long-term debt-financing gap was estimated as very limited with regard to total R&D investment in Europe. The sustainability of the facility was also assessed as satisfactory, especially taking into account the potential of Horizon 2020 instruments to capitalise on its experience. Lastly, in terms of governance and cooperation, the success of partnership working between the Commission and EIB was noted, although some imbalances were identified, e.g. with regard to reporting procedures, the methodology used to measure and report administrative costs, and the definition of some key concepts.²²⁹

Concerning the RSI in particular, the second interim evaluation of the RSFF, carried out by an Independent Expert Group the same year,²³⁰ noted that the strong interest and contracts signed by diverse financial intermediaries demonstrated the demand for the instrument. The RSI compartment reportedly had proven resilient even within the short timeframe, as it was able to 'cater for bigger demand, provide access to promotional lending institutions', 'offer guarantees with diverse counterparties (regional banks, promotional institutions, commercial banks, etc.)' and 'achieve a diversified portfolio'. In general terms, the report assessed the overall take-up of the RSI as 'successful'.²³¹ Nevertheless, weaknesses were noted, such as limited financial sustainability, a restricted budget and a tight timeframe due to its pilot status. The recommendations for an RSI successor related, for example, to maintaining the core structure of RSI so as to leverage systems and procedures, improving RSI eligibility criteria, expanding the RSI amount and scope, and better combining the guarantee scheme with EIB funding. Among other things, the recommendation on avoiding overlaps between new and existing initiatives (including the RSFF) has been to some extent addressed by merging SME support for start-ups in the CIP (currently COSME) with the RSI in Horizon 2020.²³²

3.7.3 Connecting Europe Facility

The CEF FIs have aimed to build significantly on the assessments of the effectiveness of their instruments-predecessors and the associated recommendations. For instance, the LGTT Evaluation²³³ (2014) generally demonstrated that the LGTT 'provided significant value in all deals which used it'. However, as a result of Europe's financial crisis, 'the potential pipeline of projects with traffic based demand risk for the LGTT instrument' decreased significantly. In this context, it was seen as crucial to design the new CEF FIs in a flexible way so that they could be adapted to changing market needs. Also, the evaluation showed that, as an

²²⁷ European Investment Bank Operations Evaluation (2013) *op. cit.*

²²⁸ Ibid.

²²⁹ Ibid.

²³⁰ Independent Expert Group (2013) *Second interim evaluation of the RSFF*. Final Report, June 2013

²³¹ Ibid.

²³² Núñez Ferrer *et al.* (2012) *op. cit.*

²³³ European Investment Bank Operations Evaluation (2014) *The Loan Guarantee Instrument for TEN-T Projects (LGTT). An Evaluation Focusing on the Role of the EIB in the Implementation of the Instrument*, Synthesis Report, April 2014, available at: http://www.eib.org/attachments/ev/ev_lgtt_en.pdf

instrument, the LGTT did not meet the objectives of increasing private sector participation and accelerating projects. In addition, it demonstrated that the Commission and the EIB can efficiently work in a joint way on complex FIs. It also noted that the EIB was 'the right choice of partner' for the Commission, providing the expertise and resources to develop, market and manage LGTT growth. A number of lessons from the LGTT experience were taken on board when launching the PBI Pilot.

The ad-hoc audit of the pilot phase of the PBI,²³⁴ concluded in June 2014, provides some insights into the performance of the PBI initial stage. The final report, apart from assessing the efficiency of the PBI Pilot, also formulated recommendations on the future full deployment of the PBI under the CEF in 2014-20. The report considers the progress of the PBI Pilot implementation as satisfactory overall while proposing some adjustments. The PBI was assessed as having served as a catalyst to generate liquidity in debt capital markets for targeted infrastructure projects, demonstrated by the interest from a large pool of investors. The PBCE was considered a unique FI in Europe, in terms of its supranational scope, open structure and long tenure; it was also seen as well-structured and well-executed in transactions. The PBI has been viewed positively overall by most stakeholders, having been able to match the supply of infrastructure projects with the expectations of the large group of institutional investors.

The weaknesses of the initiative are partly reflected in the audit recommendations for the future. These relate to issues such as flexibility with regard to implementation, extension into other infrastructure sectors, scope to use CEF funds in a more optimised manner across the three targeted sectors, and a focus on supporting greenfield projects.

According to the CEPS study on FIs (2012),²³⁵ the PBI might be considered of significant European added value as it is focused on the important trans-European infrastructure as a core element of the Single Market, also linked to the need to develop low-carbon infrastructure to reach the EU climate objectives. The PBI is designed to target areas where financing is lacking, which ensures additionality, and the initiative has to date managed to raise considerable funding.

Overall, although this new instrument cannot yet be fully evaluated, it seems to solve some of the problems of the LGTT, particularly in terms of flexibility with the bond issuance and coverage of more areas of infrastructure.²³⁶ However, it is not known yet if there will be further demand for project bonds.

3.8 Member State perspectives

In order to provide some insights into the EIB's role and effectiveness in Cohesion Policy, Member States representatives were asked to provide their assessment of its contribution, subject to the caveats outlined in Section 1.2.3. One measure of success is the scale of the expansion of the EIB and EIF activities to promote the use of FIs. However, the extent to which FIs have actually lived up to general expectations remains unclear. Figure 7 shows the general level of satisfaction of Member States in relation to each of its roles. Respondents were asked to rate each role on a scale from 1-5 (1 being very negative and 5 being very positive).

²³⁴ EY (2014) *op. cit.*

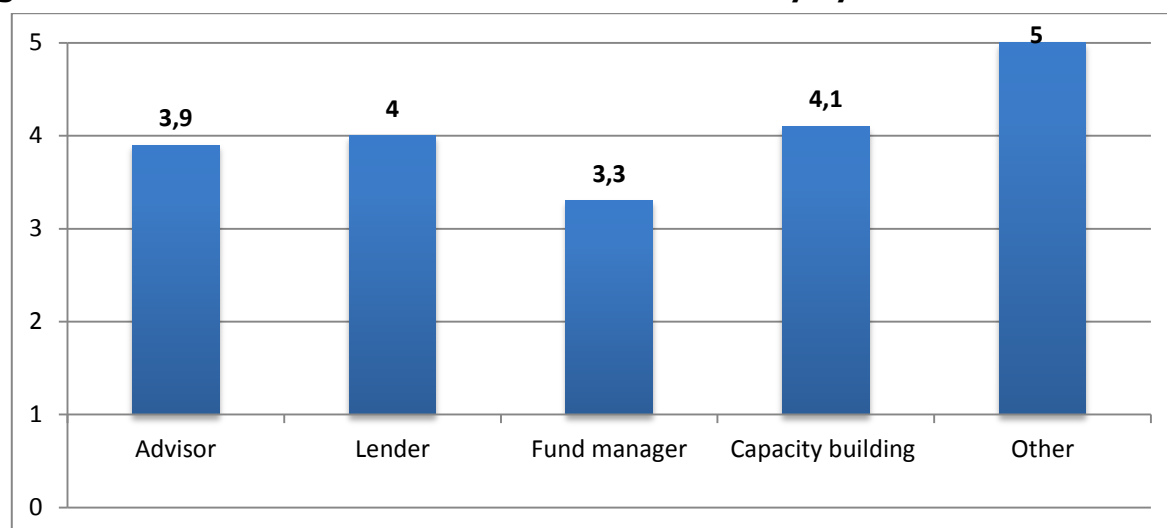
²³⁵ Núñez Ferrer *et al.* (2012) *op. cit.*

²³⁶ *Ibid.*

In general, **the EIB and EIF perform its roles with good levels of satisfaction.** Average scores for its advisory and capacity-building services were around four on the scale. EIB support and involvement in the establishment of FIs was generally perceived as positive. Interviewees from the Commission and the EIB noted that its advisory and capacity-building activities helped to stimulate the uptake of FIs. The 'other' category, which includes EIB lending in infrastructure projects, cooperation with the EIF in the context of COSME, and country-specific initiatives (e.g. Baltic Investment Fund), as well as some misreported capacity-related activities (i.e. JASPERS), received a very positive assessment.

Also as a fund manager the role of the EIB Group was judged positively albeit the scores were slightly lower than for the other activities. The scores for fund manager ranged between one and four, for lending and advisory services between two and five, and for capacity-building between three and five. It should be noted that these results are based on a limited number of responses from Member States and should therefore not be regarded as conclusive.²³⁷

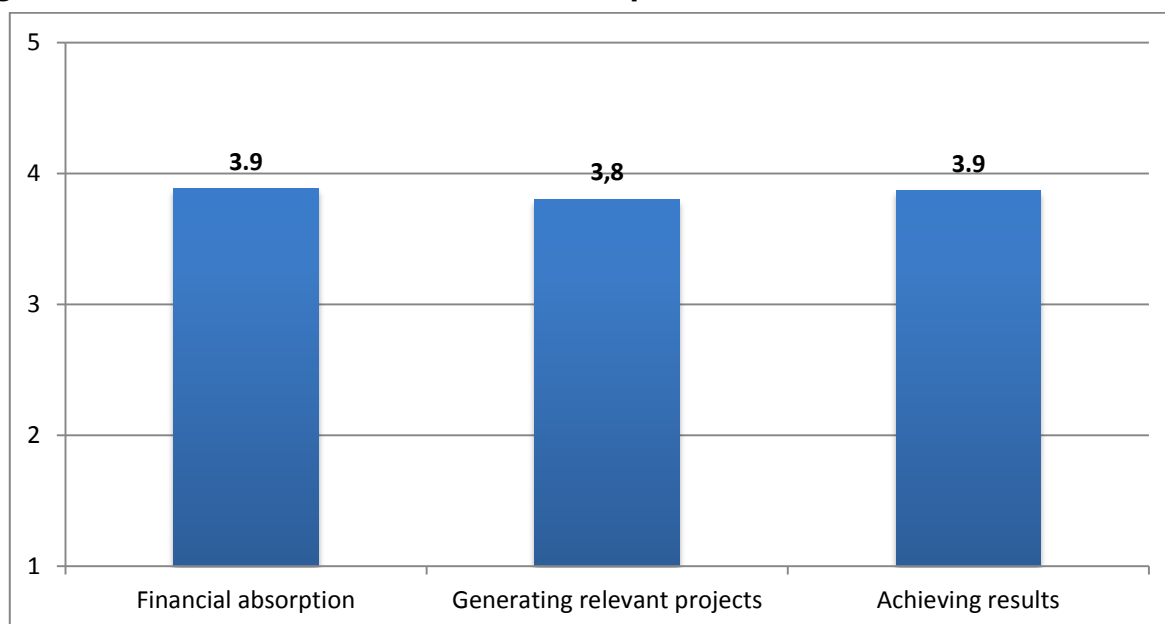
Figure 7: Assessment of EIB services in Cohesion Policy by Member States



Source: EPRC Member State survey

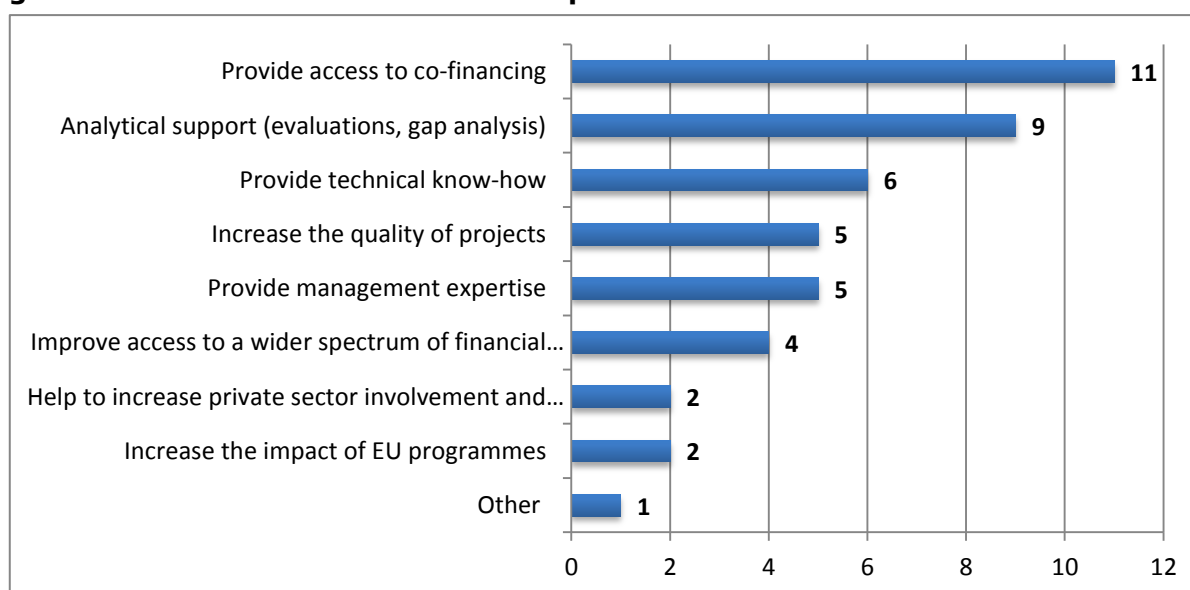
Senior officials in Member States were also asked to provide their overall assessment of the effectiveness of the EIB's activities and products in relation to the four categories. Figure 8 provides an overview of responses. In general terms, **the activities involving the EIB are considered as effective** (between 3.8 and 3.9), and only in a small number of individual Member States does the rating dip below three.

²³⁷ Particularly in the case of holding fund management which is based on eight responses.

Figure 8: Effectiveness of EIB activities and products

Source: EPRC Member State survey

Respondents were asked to identify those areas that benefited most from the EIB's activities and products.²³⁸ Figure 9 provides the accumulated responses to each of the statements (e.g. 11 respondents identified access to finance a key benefit). Respondents were asked to pick three 'benefits' in order to identify those that were considered most important. The options presented to respondents were based on the findings from the academic and policy literature (see also Section 3.2). **Access to co-financing and the EIB's analytical support** were the most commonly reported benefits of the its role in Cohesion Policy. Assistance in increasing private sector involvement and expertise and increasing the impact of EU programmes were the least-mentioned benefits.

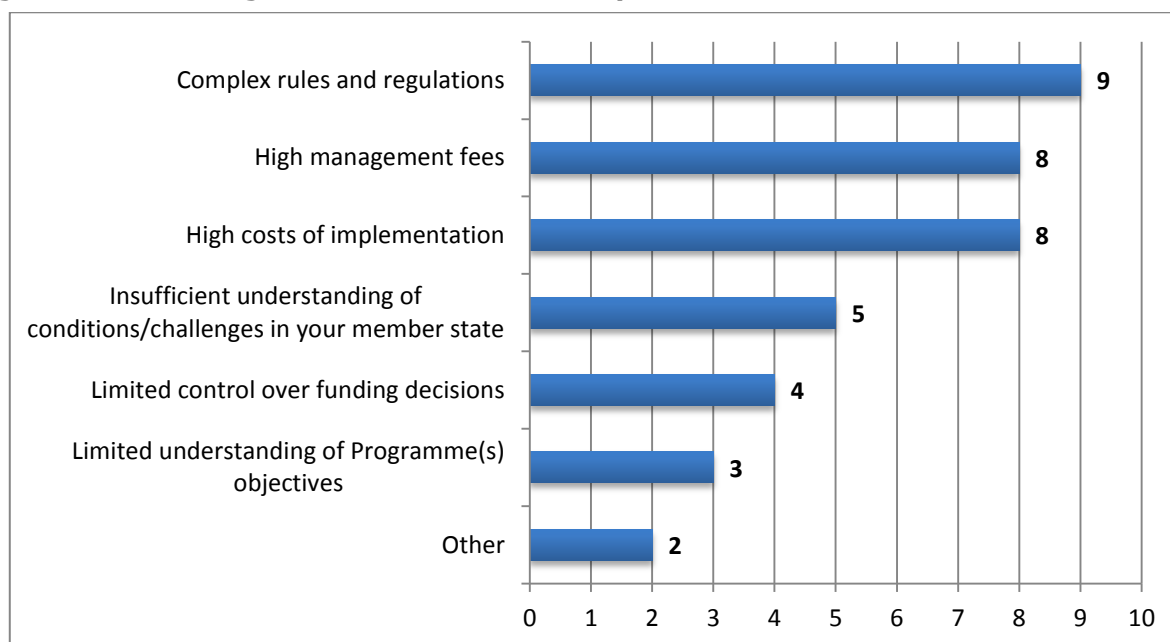
Figure 9: Benefits of EIB activities and products

Source: EPRC Member State survey

²³⁸ Respondents were only able to choose three options.

Respondents were also asked to identify the most important challenges of EIB involvement in Cohesion Policy (Figure 10). The question was formulated in the same manner as the identification of key benefits (Figure 9). The key issues for most Member States were **the complex rules and regulations** for ESIF FIs. These challenges are not of the EIB's own making, as they must adhere to the Cohesion Policy regulations. Additionally, the **high management fees and high costs of implementation of EIB activities and products** were considered an important challenge for the majority of Member States. Other issues that were mentioned include the limited accountability of EIB activities and the lack of capacity with regard to conducting analyses, which led to significant delays.

Figure 10: Challenges of EIB activities and products



Source: EPRC Member State survey

3.9 Assessment of the effectiveness and efficiency of the EIB in Cohesion Policy

This chapter has provided a detailed review of the effectiveness and efficiency of EIB activities in implementing Cohesion Policy objectives. It demonstrates that the **EIB is involved in Cohesion Policy implementation in many different capacities**. Further, its contributions are mostly valued by Member States, but the effectiveness of each of its roles is unclear.

The introduction of FIs has increased the profile and involvement of the EIB. However, FIs are a relatively recent innovation in the context of Cohesion Policy, and there is as yet limited information on their effectiveness; thus, their scope to achieve Cohesion Policy objectives is not yet well understood. **The EIB and EIF make a major contribution to the development and implementation of FIs.** The effectiveness of this contribution in terms of gap analyses in the context of the JEREMIE initiatives and evaluation studies for JESSICA initiatives are valued by Managing Authorities, especially since the TA was provided for free. However, a complete picture of what has resulted from these analytical and advisory contributions remains unclear. It is undoubtedly the case that the evaluations have raised the profile of FIs among Managing Authorities, and many would not have been willing to pay for them (the European Commission and EIB financed gap analysis and evaluation studies). However, in at least some cases where an evaluation was conducted, no further action was taken for implementing FIs, raising questions about the incurred costs.

EIB staff skills and technical expertise in terms of the implementation of FIs and regional development projects more generally are highly valued. The EIB's non-financial added value in relation to JASPERS, JASMINE and the contributions it makes to development of the FI framework in Cohesion Policy through its advisory role to the Commission are very important.

An assessment of the mandate management role of the EIB and EIF is impaired by the limited availability of data and the relatively short experience of implementing these FIs. The EIB and EIF implement HFs for both urban development and enterprises initiatives. Based on the available data, **it appears that the EIB's performance in terms of financial absorption of funds at the FI level and funds paid to final recipients is lower than that of non-EIB holding funds.** However, this may be explained by several factors; the Member States in which the EIB operates have **less capacity and effect of the financial crisis in these countries and particular challenges in the context of the regulatory framework.**

Data from the Commission's summary report indicate **that management fees for EIB and EIF holding funds are broadly equivalent to those managed by non-EIB institutions.** However, a comparison of management fees for holding funds implemented by the EIF (enterprises) and those for the EIB (urban development) indicate that the latter are lower as a proportion of commitments. The reverse is true when comparing enterprise support holding funds of other institutions with those implemented by EIF.

In financial terms the EIB's central role is its (b)lending activities in Cohesion Policy projects. Although its overall contribution to the EU Cohesion objectives is recognised, currently there is no comprehensive overview of the scale and make-up of these contributions in Cohesion Policy programmes and projects and **it is not possible to make an accurate assessment of its effectiveness in relation to Cohesion Policy.** In general terms the Bank's lending decisions are often considered conservative which could mean that certain more innovative Cohesion Policy projects are not being offered loans. That said, particularly the Bank's Structural Programme Lending is considered effective but from a Cohesion Policy perspective is not always well-understood by policy makers at the European level.

4 ACCOUNTABILITY, TRANSPARENCY AND VISIBILITY OF EIB ACTIVITIES IN COHESION POLICY

KEY FINDINGS

- Member States generally have positive views regarding the accountability of the EIB's products and services. However, reporting and monitoring of the Bank's contribution to Cohesion Policy objectives are fragmented. The role and contribution of the European Parliament's REGI Committee in holding the EIB to account has, to date, been limited.
- Over the past years, there have been sustained efforts by the EIB to improve transparency and participation principles applied by the EIB. Member State perceptions of the transparency of the EIB in Cohesion Policy are largely positive. However, the European Parliament would like to strengthen certain elements of the Bank's transparency policy, especially regarding the economic and social impact of the loans.
- The transparency of FIs in 2007-13 was hampered by a lack of systematic reporting until 2011 which has affected the scope to assess the EIB's performance in FIs. The 2014-20 regulations have sought to strengthen the reporting requirements for FIs.
- Member States have mixed views on the visibility of the EIB's activities and products in Cohesion Policy. Lower levels of visibility of the EIB's lending activities can partly be attributed to the fact that it often works through intermediaries at the national and regional levels.

The EIB has a high level of autonomy within the EU's institutional system. The EIB's management and control structures allow it to take lending decisions on the basis of a project's merits, and to tailor borrowing in line with the best opportunities available on the financial markets in all Member States whilst at the same time aiming to ensure contributions to EU policy. Academic and policy research has on occasion raised concerns about the steadily growing role of International Financial Institutions (IFI) like the EIB, as they are not directly accountable to EU citizens or their representatives.²³⁹ Furthermore, some have criticised the EIB for its weak accountability standards.^{240, 241} However, others have pointed out the advance in accountability standards that have been made over recent years.²⁴²

²³⁹ Majone G (2000) 'The credibility crisis of Community regulation', *Journal of Common Market Studies*, 38(2): 273-302. Mörtz U (2007) Public and Private Partnerships as Dilemmas between Efficiency and Democratic Accountability: The Case of Galileo, *Journal of European Integration*, 29:5, 601-617, DOI: 10.1080/07036330701694907; Tricarico A (2010) *Privatizing European Development Finance: The Role of the European Investment Bank*, Social Watch, poverty eradication and gender justice, available at: <http://www.socialwatch.org/node/12052> Tricarico A (2015) Reclaiming Public Banks, a Thought Provoking Exercise, Eurodad and Counter Balance available at: <http://eurodad.org/files/pdf/5566ea7348f8c.pdf>

²⁴⁰ The criticism often focusses on the lack of accountability concerning the social and environmental impact of the Bank's activities, in particular in relation to its external mandate.

²⁴¹ Hachez N and Wouters J (2012) *op. cit.*; Xavier S (2015) *Towards a reinforced accountability architecture for the European Investment Bank*, Counter Balance - Challenging public investment banks, available at: http://www.counter-balance.org/wp-content/uploads/2015/07/CB_Towards-accountability_print_web_hyperlinks.pdf; Seman V (2011) *The European Investment Bank*, investment in development?, Prague Global Policy Institute- Glopolis, July 2011. available at: <http://glopolis.org/soubory/4e1c/study-european-investment-bank.pdf>; also see Bretton Woods Project in relation to its external lending activity, Stewart H (2008) The shadowy bank that has loaned £150bn of your cash, *The Guardian*, available at: <http://www.theguardian.com/business/2008/mar/02/europeanbanks.worldbank>

²⁴² Nanwani S (2014) Directions in Reshaping Accountability Mechanisms in Multilateral Development Banks and Other Organizations, *Global Policy*, 5:2, 242-252.

The increased role of the EIB in Cohesion Policy and the often highly technical nature of associated FIs also raise important questions about its accountability, transparency and visibility. This chapter examines the current arrangements under these three themes and critically appraises them. The chapter also considers Member States' and institutional views of the EIB's record on accountability, transparency and visibility in relation to Cohesion Policy.

4.1 Accountability

The high degree of institutional and operational autonomy of the EIB does not mean that it is independent and exempt from Community law. The TFEU (Art. 309) is clear that 'the Bank is intended to contribute towards the attainment of the Community's objectives and by virtue of the Treaty forms part of the framework of the Community'.²⁴³ Nevertheless, the **EIB statute protects its autonomy and limits the influence of other EU institutions**, particularly in relation to the management of its financial operations.

Accountability can be defined as a set of principles and procedures under which an actor accounts for the impact of its actions – as a governing entity or more generally as a power wielder – on the individuals, groups or interests that it governs or affects.²⁴⁴ This includes prospective (taking into account impacts prior to operations) and retrospective procedures (render account for failure to abide by applicable substantive norms). At a more operational level, this can be understood as the degree to which the EIB engages with other EU institutions and Member States in accounting for its activities and performance.

A series of accountability mechanisms are in place with regards to the EIB activities. These include:

- European Ombudsman;
- Complaint Mechanism;
- Evaluation Operations;
- Internal Audit; and
- External Audit (ECA);

Despite the EIB's hybrid nature - being both a bank and an EU body - the EIB is explicitly bound by the EU Treaties and its principles. Its upward accountability framework – towards EU institutions and Member States (see Section 2.1.3) – dates back to the Treaty of Rome. Downward accountability – i.e. towards citizens – was, and continues to be provided through the European Ombudsman but in 2008 under pressure from civil society a Complaints Mechanism (CM)²⁴⁵ was established. However, according to some commentators, the current arrangements continue to have certain weaknesses:²⁴⁶

- the CM's decisions are non-binding;
- the CM has a marginalised position within the EIB;

²⁴³ Case 85/86, *Commission v. Board of Governors*, [1988] ECR 1281, para 28. cited in Hachez and Wouters (2012) *op. cit.*

²⁴⁴ Hachez and Wouters (2012) *op. cit.*

²⁴⁵ In the past the CM was also referred to as the Complaint Mechanism Office (CMO).

²⁴⁶ Xavier S (2015) *op. cit.* ; Vervynckt M (2015) An assessment of transparency and accountability mechanisms at the European Investment Bank and the International Finance Corporation, EURODAD Briefing, September 2015, available on: <http://www.eurodad.org/files/pdf/1546480-an-assessment-of-transparency-and-accountability-mechanisms-at-the-european-investment-bank-and-the-international-finance-corporation.pdf>

- the CM's independence is questioned (i.e. There is no system of formal relations between the EIB Board of Directors in relation to individual cases dealt with by the CM); and
- the CM lacks resources.

Audit forms an integral part of any accountability framework. In October 2003, a **Tripartite Agreement**,²⁴⁷ mentioned in Article 287(3) of the TFEU, was signed and governs cooperation between the EIB, the Commission and the European Court of Auditors (ECA). The Agreement was initially concluded for four years but has since been renewed in 2007 and again in 2011 each time for a further four years. The agreement covers both loan operations under the mandate conferred by the European Union on the Bank and the operations managed by the Bank which are entered in, and guaranteed by, the general budget of the European Union.

The Agreement sets out procedures for **documentary audits and on-the-spot checks**. The documentary audits require a flow of information between the Bank, the Commission and the ECA on operations covered by the agreement. The ECA is responsible for selecting operations for auditing according to its own criteria. A procedure by which the relevant departments of the Court are provided with the necessary information is set out in the Agreement. On-the-spot audits will occur on the basis of the Court's annual work programme which is communicated to the Commission and Bank at regular intervals. There must be a firm conviction that there are grounds for on-the-spot checks. The checks will be scheduled by the Bank's Audit Committee and the ECA in coordination. The Audit Committee is required to make contact with the Bank's relevant departments, and to establish links with intermediary financial institutions and final recipients where necessary. The conclusions of the audit may be communicated to the Bank's clients only by the Bank or the Commission. The Commission can decide how it is represented at the information meetings, in preparatory discussions and on-site visits. The Commission and, through the Commission, the EIB may express their point of view in observations. A conciliation process can be requested by one of the parties, under the chairmanship of the Commission.

Internal Audit is another component of the EIB accountability framework.²⁴⁸ It examines and evaluates the relevance and effectiveness of the internal control systems and the procedures involved in managing risk within the EIB. The general objective of Internal Audit is to provide the EIB's management with a reasonable assurance that it is operating properly and efficiently. To do this, it examines a number of areas of the Bank's operations to determine if:

- risk exposure relating to the achievement of the Bank's strategic objectives is accurately identified and reported;
- the Bank's resources and assets are properly accounted for and safeguarded;
- financial, operational, accounting and other data generated within the Bank and/or used for management purposes is accurate and reliable;
- the integrity, reliability, confidentiality and continuous availability of Information systems is secured;
- resources are employed in an effective and efficient manner; and
- the application of risk management procedures and methodologies and the functioning of internal control are effective.

²⁴⁷ An original Agreement dates back to March 1999.

²⁴⁸ European Investment Bank (2013c) *Charter for Internal Audit*. Available at http://www.eib.org/attachments/general/internal_audit_charter_2013_en.pdf

Internal Audit sets and agrees Action Plans with the Bank's departments as a means for improving procedures and strengthening controls. In support of the Audit Committee's mandate on best banking practice, Internal Audit includes such assessments in all elements of its work. It therefore reviews and tests controls in critical banking, information technology and administrative areas on a rotational basis using a risk-based approach.

Furthermore, **accountability and insight in the results of EIB activities is provided by the EIB Operation Evaluation (EV) department.**²⁴⁹ Established in 2005, this department carries out ex post evaluations and coordinates the self-evaluation process of the EIB. EV focuses on the quality and the results of the EIB's operations within the framework of relevant EU policies (the Treaty, directives, Council decisions, mandates, etc.) and the decisions of the EIB Board of Governors. It evaluates both public and private sector operations supported by all types of financial resources as well as related policies and strategies. The evaluations conducted by EV may identify aspects of EU policies which may need to be reviewed by the appropriate bodies to enable the EIB to implement its operations better.

The EV falls under the responsibility of the Inspector General, which is independently performing its tasks and is accountable to the President and the Management Committee. The EV's budget is approved by the Board of Directors under a separate budget line – and not by the management – to uphold the EV's independence.²⁵⁰

There are organisations that take a more critical view of the current EIB's accountability framework, as well as calls for action to reinforce the ECA's scrutiny of EIB activities and to revise the tripartite agreement. The role of the ECA is deemed by some as being too passive. Instead, it is argued that the ECA should actively carry out assessments on the performance of EIB lending activities when they are directly related to the use of the EU budget. This should certainly cover EFSI operations of the EIB under the specific EU guarantee.²⁵¹

In the 2007-13 period, the use of Cohesion Policy funding as part of EIB products also raised questions about a potential increased and more direct role of the ECA. According to interviewees, the EIB opposed this proposition. The current tripartite arrangement allows the ECA to conduct performance audits of which the results can go to Parliament. However, **there is no systematic audit of the EIB's contribution to Cohesion Policy.**

The EIB is primarily accountable to its shareholders (e.g. Member States) but as an EU body, the EIB activities are also scrutinised to the European Parliament in relation to its lending activities. **Reporting and monitoring of the Bank's contribution to Cohesion Policy objectives to European Parliament are fragmented.** The main responsibility for scrutiny of EIB activities lies with the CONT/ECON committees, but other committees can contribute. However, there is no clear link between EIB activities and Cohesion Policy in its annual report, making it difficult for the REGI committee to engage, and within the CONT/ECON committee there is insufficient capacity/interest in the Cohesion Policy objectives. For example, interviewees noted that the extent of the Bank's Structural Programme Lending and (b)lending is not well understood in either the Parliament or the Commission.

²⁴⁹ European Investment Bank Operations Evaluation (EV) (2009) *Terms of Reference*. Available at http://www.eib.org/attachments/thematic/ev_terms_of_reference_2009_en.pdf (as accessed 29/02/16)

²⁵⁰ Vervynckt M (2015) *op. cit.*

²⁵¹ Xavier S (2015) *op. cit.*

In Section 5.1, the relationship between the EIB and European Parliament is discussed further, but in the context of accountability it is important to note that **the Bank's responsibilities for the EU budget in Cohesion Policy are ambiguous**. When the EIB acts as HF manager, it is responsible for monitoring of urban development funds' activities and as such assumes a certain level of responsibility over implementation of funds that are financed from the Community budget. However, in this context the EIB should be regarded as the beneficiary of such funds and the lines of accountability run through the MA – with which it has a contractual agreement. As such, it is argued that it would be inappropriate for the Commission to have a direct relationship with the EIB and receive information regarding FIs directly from the EIB rather than through the MA. Instead, the MA monitors the activities through its regular reporting and monitoring practices and provides information to the Commission, which has the final responsibility for implementing the Community budget and is accountable to the European Parliament. In terms of implementing FIs (as opposed to its (b)lending activities), the EIB is therefore not directly accountable to the European Parliament. However, with the introduction of the EFSI, the EIB will adopt a greater macro-economic role and will have increased responsibility for the implementation of the Community budget, albeit through guarantees.

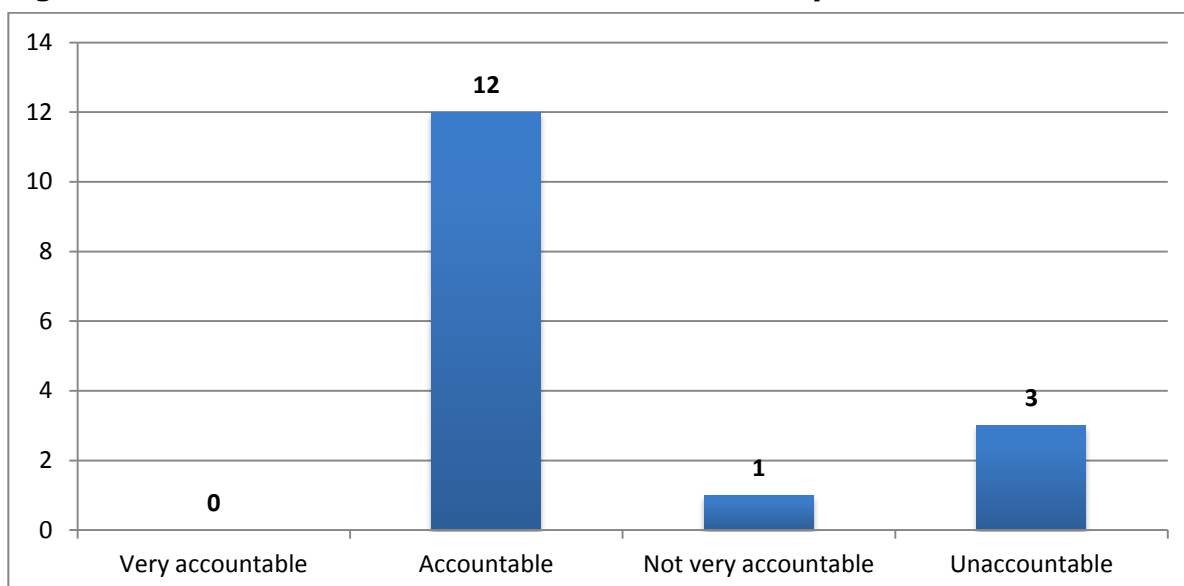
Figure 11 gives an indication of Member States perceptions of the extent to which the EIB is accountable for its activities and products, i.e. to what extent does the Bank engage with other EU institutions and Member States in accounting for its activities and performance? In general, **Member States' views of the Bank's accountability are positive**, with 12 out of 16 respondents rating the EIB as accountable. Particular positive experiences mentioned include:

- close cooperation between the EIB and Member State institutions on initiatives such as JASPERS;
- positive experiences of negotiating framework contracts between the EIB and Member State; and
- the mostly on-time delivery of products and services provided by the EIB.

However, there were also four cases in which the EIB was perceived as not very accountable or unaccountable. The main concerns included:

- late guidance, meaning that rules were changed after FIs had already been implemented, causing major difficulties in some cases;
- legal rules considered as too strict and rigid; and
- insufficient respect of Member State comments.

In relation to the first two points it should be noted that providing guidance and implementing/interpreting the Regulations are the responsibility of the Commission rather than the EIB.

Figure 11: Member States' views on EIB accountability

Source: EPRC Member State survey

4.2 Transparency

Transparency is one of the EU's fundamental governance principles and can be construed as the access of the public to information concerning an institution, person or entity.²⁵² In a more narrow sense, it can be defined as the way in which reporting and monitoring are formalised and implemented to provide systematic information and allow policymakers to track how the budget is spent and to evaluate the effectiveness of that spending. A lack of transparency hinders the activation of accountability channels, as stakeholders are not aware of the relevant facts and practices. Democratic accountability requires that governing elites adopt an active policy of openness towards their stakeholders through disclosure of information and documents.

Academic commentators have noted that **'procedurally, the transparency and participation principles applied by the EIB are rather progressive'**. However, they still **display a number of shortcomings as regards the involvement of stakeholders in the appraisal of projects and in finance decisions**. The dual nature of the EIB makes transparency a difficult issue; as a bank it must respect client confidentiality but as an EU body it is required to be accountable to the public. The TFEU recognises the EIB's special transparency regime and the as it states that the institution's general transparency system and the citizens' right of access to documents only apply to the EIB 'when exercising [its] administrative tasks'.²⁵³

In the past, the EIB has in principle refused to disclose financial contracts but has also been reluctant to disclose documents relating to financial contracts, such as appraisal or monitoring reports, on the grounds that they concern 'professional evaluation and opinions forming part of the EIB's internal decision-making processes'.²⁵⁴ On occasion, the European Parliament has called for **more visibility of specific EIB programmes** in some Member States. It has stated that there is room to improve the Bank's transparency especially in

²⁵² Hachez and Wouters (2012) *op. cit.*

²⁵³ Art. 15(3) of the Treaty on the Functioning of the European Union, Consolidated versions of the Treaty on European Union and the Treaty on the Functioning of the European Union, Official Journal C 326, 26/10/2012 P. 0001 - 0390.

²⁵⁴ See Decision of the European Ombudsman on complaint 1807/2006/MHZ against the EIB, 17 Dec. 2007, available at: www.ombudsman.europa.eu/cases/home.faces. Cited in Hachez and Wouters (2012) *op. cit.*

terms of assessing the economic and social impact of the loans and the effectiveness of the implementation of due diligence. There have also been calls for **greater transparency in relation to its global loans and increased scrutiny of indirect lending**. Most relevant in relation to Cohesion Policy are the calls for a thorough assessment and a report on the **risks and control systems linked to blended finance with the Commission**, considering the impact of blending activities not only in terms of oversight but also in terms of governance options.²⁵⁵ Currently, there is no overview of the scale of EIB (b)lending in Cohesion Policy projects.

In recent years, the EIB has engaged in a process of reform to improve its transparency and accountability practices. The EIB views transparency as 'an environment in which the objectives of policies, its legal, institutional, and economic framework, policy decisions and their rational, and terms of EIB accountability are provided to the public in a comprehensive, accessible and timely manner'.²⁵⁶ The Bank's Transparency Policy is designed to take into account and comply with the regulation concerning public access to institutions' documents (Regulation 1049/2001)²⁵⁷ and operates on the presumption of disclosure unless there are compelling reasons for non-disclosure.

However, recent reforms have not been perceived as universally positive. The European Parliament's Intergroup²⁵⁸ on Integrity, Transparency and Organised Crime and other organisations noted significant concerns about the new policy:²⁵⁹

- vagueness surrounding the publication of information on EIB projects;
- presumption of confidentiality around irregularities, corruption and maladministration; and
- non-requirement to disclose the list of final recipients of its loans.

As mentioned in Section 3.2, transparency of FIs in 2007-13 has been hampered by **a lack of systematic reporting until 2011**, before which reporting on FIs by MAs was not obligatory.²⁶⁰ sets out the reporting requirements for FIs in Cohesion Policy. The EIB and EIF provide data to managing authorities for which they have a HF mandate. The data are sent to the Commission by the managing authorities. The first summary report on FIs was published by the Commission in 2012; successive reports have progressively improved the quality and comprehensiveness of data supplied by managing authorities, but many gaps and inconsistencies remain. The 2015 summary report highlighted significant gaps in data accuracy and availability. One of the main challenges is that Member States have reported different circumstances in different ways or inaccurately:²⁶¹

²⁵⁵ European Parliament (2015b) *op. cit.*

²⁵⁶ European Investment Bank (2015b) *Transparency Policy*, available at: http://www.eib.org/attachments/strategies/eib_group_transparency_policy_en.pdf

²⁵⁷ Regulation (EC) No. 1049/2001 of the European Parliament and of the Council of 30 May 2001 regarding public access to European Parliament, Council and Commission documents, O.J. 2001, L 145/43.

²⁵⁸ Individual Members may form Intergroups or other unofficial groupings of Members to hold informal exchanges of views on specific issues across different political groups, drawing on members of different parliamentary committees, and to promote contact between Members and civil society. Such groupings may not engage in any activities which might result in confusion with the official activities of Parliament or of its bodies. See: Rules of Procedures of the EP, Rule 34 Intergroups.

²⁵⁹ Counter Balance (2015) *EIB set to weaken transparency standards*, available at: <http://www.counter-balance.org/eib-set-to-weaken-transparency-standards/>; CEE Bankwatch Network (2015a) *EIB's new transparency policy allows for more secrecy*, available at: <http://bankwatch.org/news-media/for-journalists/press-releases/eibs-new-transparency-policy-allows-more-secrecy>; CEE Bankwatch Network (2015b) *European Parliament intergroup ITCO condemns new transparency policy of the European Investment Bank*; available at: <http://bankwatch.org/news-media/blog/european-parliament-intergroup-itco-condemns-new-transparency-policy-european-invest>

²⁶⁰ An amendment to Council Regulation (EC) No. 1083/2006 obliged Member States to report on FIs in the Annual Implementation Report: (Regulation (EU) No. 1310/2011 of the European Parliament and of the Council of 13 December 2011 amending Council Regulation (EC) No. 1083/2006).

²⁶¹ European Commission (2015d) *op. cit.*

- some Member States provided incomplete and incoherent information, for some FIs, such as late submission of information for OPs, omission of specific funds under holding funds or holding funds reported incorrectly as specific funds (ES, FR and IT);²⁶²
- in a few cases, compulsory data are missing, especially for: national private co-financing; date of the FI set-up; legal status of funds; name of the fund manager and type of fund;
- the names of the FIs are sometimes confused with the names of the fund managers;
- the share of Structural Funds contribution to FIs is not always reported (IT and FR);
- the amounts of OP contributions paid to the FIs are sometimes lower than the corresponding amounts disbursed by the FIs to final recipients;²⁶³
- cases where managing authorities include payments of revolving amounts which are no longer OP resources (e.g. in HU, LT, PL);
- cases where the own resources of fund managers are included in the reporting on payments to final recipients, despite being resources outside of the OP;
- for some FIs, the reporting was made on the level of financial product and not broken down to the level of financial intermediary, which reduces the overall count of FEI and allows less transparency regarding the absorption of OP amounts (BG, EL, SK), although cumulated data remain unchanged;
- some countries report lower than actual contributions to specific funds (BG, CY, FR, IT, HU, PL) (this does not affect the reported amount at the level of final recipients);
- inconsistencies resulting from the incorrect use of exchange rates (BG and CZ); and
- output indicators such as the number of final recipients supported or jobs created which are not plausible (BG, CZ, IT and FR).

These factors make it impossible to estimate accurately the number of FIs without knowing the specific details in each case (requiring further on-the-ground research at MA level). Such estimation is likely to introduce as many new errors as it resolves.

The data submitted undergo quality checks, and over the past three years Member States and the Commission have made significant efforts to improve the quality of the data, for example by providing more extensive guidance. However, inaccuracies and missing data remain an important challenge. These limitations mean that the effectiveness and efficiency of FIs cannot easily be determined and raise concerns about transparency.

The quality of data does not reflect any shortcomings on part of the EIB who according to interviews provide all necessary information to the managing authorities for which it holds a HF mandate and who are responsible for reporting to the Commission. However, **the quality does affect the ability of European Parliament (and other institutions) to scrutinise the EIB's performance in relation to its role as HF manager.**

²⁶² According to the Commission, this happened to a much lesser degree than in the previous reporting period.

²⁶³ This does not necessarily constitute a reporting error, because additional amounts may come from interest generated through treasury operations by the FI which are added to the OP amounts (e.g. PL) or financial intermediaries are reimbursed by HF or managing authorities only after disbursing the money to final recipients (e.g. DK and EL).

Box 5: Reporting requirements for FIs in Structural Funds 2007-13

In the 2007-13 programme period reporting requirements were divided into two categories. First, compulsory information is required regarding the following elements:

- description of the FIs and implementing arrangements;
- identification of the entities that implement the FIs, including those acting through HFs;
- amounts of assistance from the Structural Funds and national co-financing paid to the FIs; and
- amounts of assistance from Structural Funds and national co-financing paid by the FIs to the final recipients.

Second, optional data are requested regarding the following categories:

- Structural Funds (ERDF/ESF) and the national (public and private) co-financing committed in the funding agreements establishing FIs;
- OP contributions paid to the funds in management costs and fees;
- amounts of other assistance paid to FIs outside the OP;
- number of final recipients supported;
- number of loan/guarantee and other financial products offered and number of equity/venture capital investments made to final recipients; and
- number of jobs created.

Source: Regulation (EC) No 1083/2006, *op. cit.* Article 67(2)(i)

The 2014-20 regulations aim to strengthen the reporting requirements for FIs. The new framework requires MAs to include a specific report on operations comprising FIs as an annex to the annual implementation report, which is then sent to the Commission. All categories will be obligatory. Based on the reports submitted, the Commission will provide summaries of data collected.²⁶⁴ The implementing regulation (No. 821/2014 of 28 July 2014) details the reporting procedures, with extensive information requirements for the following categories:²⁶⁵

- identification of the programme and priority or measure from which support from the ESI Funds is provided (Article 46(2)(a) of Regulation (EU) No. 1303/2013);
- description of the financial instrument and implementation arrangements (Article 46(2)(b) of Regulation (EU) No. 1303/2013);
- identification of the body implementing the financial instrument as referred to in Articles 38(1)(a), 38(4)(a), (b) and (c) of Regulation (EU) No. 1303/2013, and the financial intermediaries referred to in Article 38(5) of Regulation (EU) No. 1303/2013 (Article 46(2)(c) of Regulation (EU) No. 1303/2013);
- total amount of programme contributions, by priority or measure, paid to the financial instrument and management costs incurred or management fees paid (Article 46(2)(d) and (e) of Regulation (EU) No. 1303/2013) and Operational Programme contributions paid to final recipients in guarantees;
- total amount of support paid to final recipients, or to the benefit of final recipients, or committed in guarantee contracts by the financial instrument for investments in final recipients, by ESI Funds programme and priority or measure (Article 46(2)(e) of Regulation (EU) No. 1303/2013);

²⁶⁴ European Commission (2014d) *Financial Instruments in Cohesion Policy 2014-20*, available at: http://ec.europa.eu/regional_policy/sources/docgener/informat/2014/financial_instruments_en.pdf

²⁶⁵ Commission implementing regulation (EU) No. 821/2014 of 28 July 2014 laying down rules for the application of Regulation (EU) No. 1303/2013 of the European Parliament and of the Council as regards detailed arrangements for the transfer and management of programme contributions, the reporting on financial instruments, technical characteristics of information and communication measures for operations and the system to record and store data. OJ L 223, 29.7.2014, pp. 7–18.

- the performance of the financial instrument, including progress in its set-up and in the selection of bodies implementing the financial instrument (including the body implementing a fund of funds) (Article 46(2)(f) of Regulation (EU) No. 1303/2013);
- interest and other gains generated by support from the ESI Funds to the financial instrument, programme resources paid back to the financial instrument from investments as referred to in Articles 43 and 44, and the value of equity investments with respect to previous years (Article 46(2)(g) and (i) of Regulation (EU) No. 1303/2013);
- progress in achieving the expected leverage effect of investments made by the financial instrument and value of investments and participations (Article 46(2)(h) of Regulation (EU) No. 1303/2013); and
- contribution of the financial instrument to the achievement of the indicators of the priority or measure concerned (Article 46(2)(j) of Regulation (EU) No. 1303/2013).

The implementing regulation is accompanied by detailed descriptions of each measure in order to avoid some of the interpretation differences that occurred in 2007-13.²⁶⁶ The first reporting cycle will be in 2016. Although the reporting requirements have become far more detailed, it remains to be seen if some of the data-gathering challenges that MAS experienced in 2007-13 have been resolved.

The EIB utilises the Cohesion Policy monitoring and reporting framework for its own reporting purposes on its lending activities. This prevents unnecessary duplication and also avoids compliance issues. However, where the Bank considers it necessary, it can insist on additional monitoring and reporting responsibilities. For example, when the implementation capacity of a certain beneficiary (financial intermediary) is considered weak, the EIB can assist by adding TA as a condition of the loan. The TA can either be provided by the EIB, outsourced to a consultancy, or comprise a combination of the two.

Research evidence from this study indicates that **the EIB has made increasing efforts to improve transparency in recent years**. Interviewees noted that there has been a greater effort to make information publicly available and accessible. For example, the EIB has provided '**sub-reports**' on specific topics (SMEs, external relations, etc.) which provide more information and greater opportunity for public scrutiny in European Parliament committees. These specific publications are regarded as positive, demonstrating a high level of coherence with the figures in the annual report. However, the quality of data is not always regarded as sufficiently in-depth. The reports, according to one interviewee, tend to provide 'high-level numbers' but say very little about the actual results of EIB activities. It should be noted that results are often difficult to capture, as the impact of EIB projects is usually only recognisable over a longer period of time.

On the other hand, the EIB's EV department provides a considerable body of evidence with regards to the impact of EIB activities (see Section 4.1). Furthermore, over the past two years the EIB has implemented its 3 Pillar Assessment (3 PA) methodology. The 3 PA is used for operations inside the EU to guide the ex-ante assessment of expected results and to enhance the Bank's ability to monitor the actual results achieved by tracking impacts throughout the project cycle. EIB projects are rated according to three pillars:²⁶⁷

²⁶⁶ Commission implementing regulation (EU) No 821/2014, *op. cit.*

²⁶⁷ European Investment Bank (2014) Report on 3 Pillar Assessment for EIB operations inside the EU, EIB: Luxembourg, available on: http://www.eib.org/attachments/thematic/report_2014_on_3_pillar_assessment_en.pdf

- quality and contribution of the project to sustainable growth and employment;
- consistency of the project with and contribution to, EU and EIB policy objectives; and
- EIB's contribution to the project.

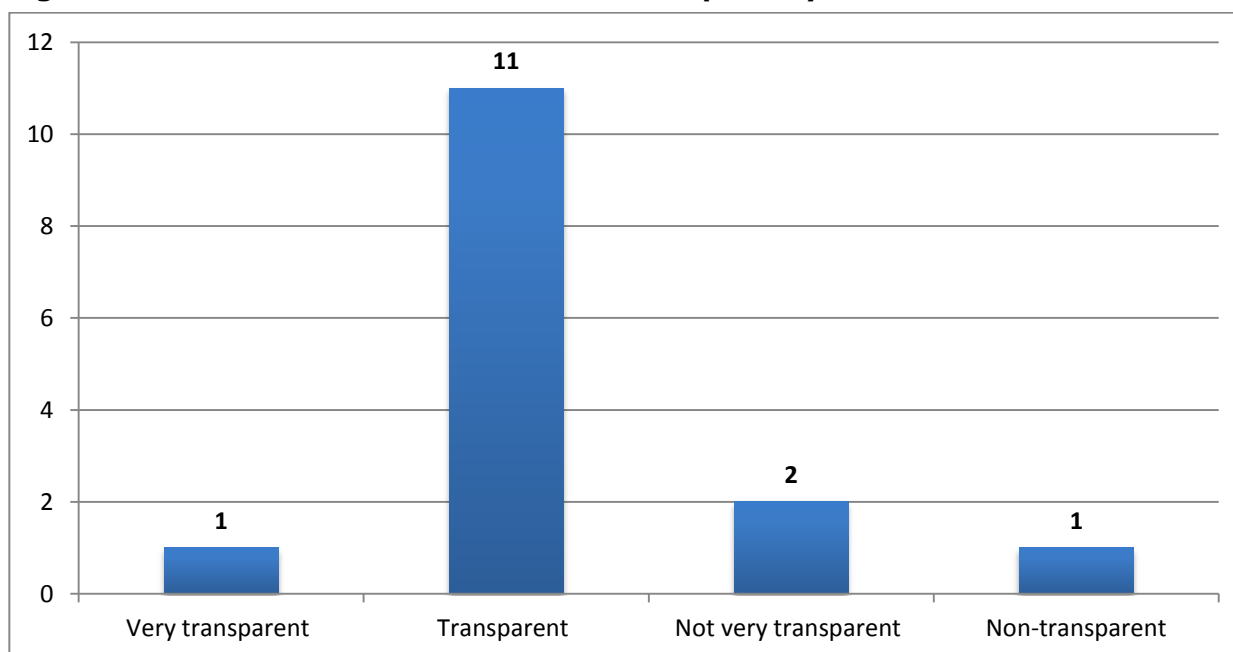
The survey results also demonstrate that **Member State perceptions of the transparency of the EIB in Cohesion Policy are largely positive** (i.e. openness in providing reports, data and other information on its activities and performance). Out of 15 responses, 12 regarded the EIB as transparent or very transparent; three had a more negative perception (see Figure 12). Positive assessments noted that:

- regular reports and relevant information are provided to stakeholders and published online; and
- the JASPERS outputs are considered helpful and transparent:
 - guidance notes are issued during an assignment to cover on-going findings and its recommendations;
 - 'Completion Notes' are provided once the assignment has been completed and summarise the findings and recommendations; and
 - feedback forms are made available for JASPERS' beneficiaries, providing an opportunity to assess the process.

More negative experiences included:

- difficulties in getting reliable information and implementation forecasts from HF managers; and
- long delays in the provision of information.

Figure 12: Member States' views on EIB Transparency



Source: EPRC Member State survey

4.3 Visibility

Visibility is a key aspect of transparency and accountability. Clients of the EIB have to be aware of the sources and the policy context behind the EIB activities. In practical terms, visibility can be defined as the extent to which the EIB activities and products are visible to its clients. This relates to different levels:

- EU – other EU institutions;

- Member States – administrators and politicians;
- beneficiaries and – financial intermediaries and project promoters;
- final recipient; and
- public – taxpayers and citizens affected by EIB projects.

Visibility is achieved first of all through the provision of information and hence is closely related to transparency. However, it also **involves an active engagement with stakeholders and potential stakeholders to highlight EIB activities**. Visibility is also important to allow partners to identify those products and activities that add most value, and to achieve synergies. In order to strengthen the cooperation and cultivate relations at the Member State level, the EIB has regional offices in Austria, Belgium, Bulgaria, Croatia, Finland, France, Germany, Greece, Italy, Netherlands, Poland, Portugal, Romania, Spain and the United Kingdom.²⁶⁸

The EIB has been a key actor together with the Commission in terms of animating interest in FIs among both MAs and final recipients. Some interviewees mentioned that the visibility of EIB activities is often quite low, and although the survey results in general suggest that EIB activities are visible, it also seem to suggest that at least in some Member States this is an area of concern (see Figure 13). This is partly due to the structure of the **Bank's lending, which operates through intermediaries in a large number of cases**.

In terms of FIs, significant steps have been taken to improve the provision of more information that is accessible to a larger (non-specialist) audience in the 2014-20 period. Initiatives such as *fi-compass* (see Section 6.4) provide an extensive information resource, including:²⁶⁹

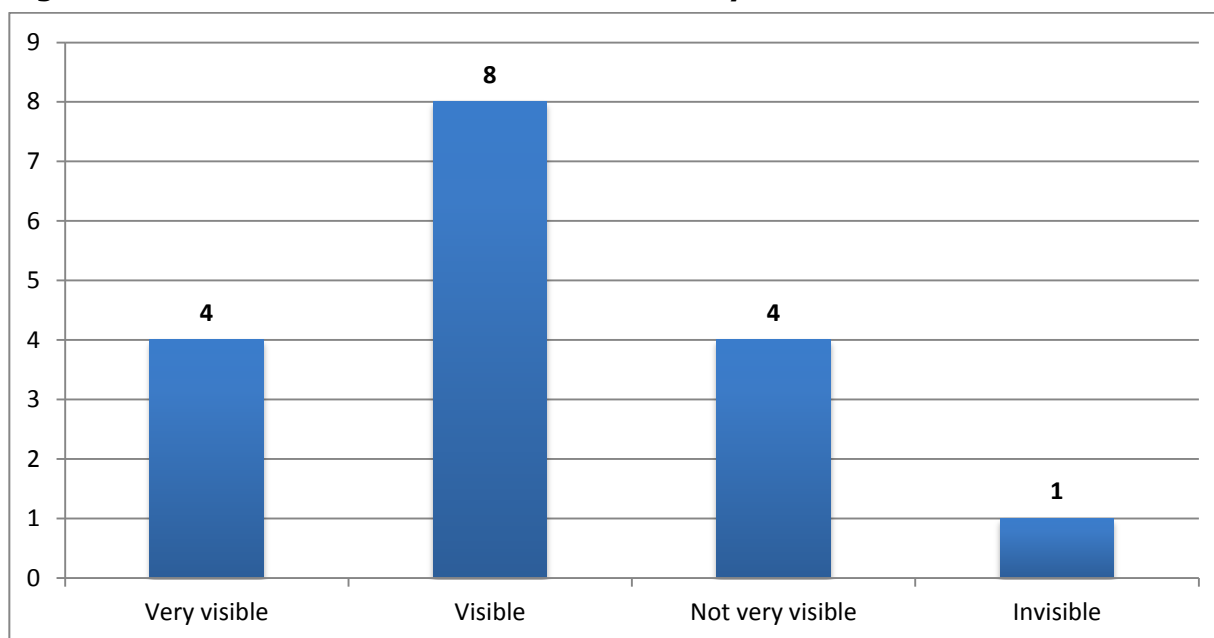
- brochures on various aspects of FI implementation;
- case studies to analyse a specific financial instrument or research thematic issues of interest across a number of financial instruments;
- manuals regarding the implementation of FIs;
- factsheets regarding the use of FIs in all Cohesion Policy funds are currently being finalised in all of the EU's official languages; and
- events on specific aspects of FI implementation.

Such activities are expected to improve the visibility of FIs more generally which will also impact the visibility of EIB activities.

Member States expressed a range of views on the visibility of the EIB's activities and products in Cohesion Policy (i.e. the levels of awareness and knowledge about its activities/products). There are four countries in which EIB activities are thought to be highly visible, and a further eight where they are regarded as visible; but in five they are thought to be not very visible or invisible (see Figure 13). This is particularly the case in those countries where the EIB plays a marginal role in relation to Cohesion Policy. Member States considered the use of roadshows at the regional level, conferences, seminars and working meetings as positive. They noted that the intermediary structure means there is a lack of awareness among final recipients that the support is provided by the EIB, and that visibility is particularly low in the case of SMEs.

²⁶⁸ For more information, see: <http://www.eib.europa.eu/infocentre/contact/offices/index.htm>

²⁶⁹ For more information, see: <https://www.fi-compass.eu/resources/product/152>

Figure 13: Member States' views on EIB visibility

Source: EPRC Member State survey

5 INTER-INSTITUTIONAL RELATIONSHIPS

KEY FINDINGS

European Investment Bank – European Parliament relations

- Political oversight of EIB activities in the European Parliament is fragmented. The CONT and ECON Committees are responsible for scrutinising EIB activities, but scrutiny of the EIB by the European Parliament in relation to Cohesion Policy activities is partial and ad hoc.
- The increasing role of the EIB in Cohesion Policy and the adoption of the EFSI is leading to greater interest by the REGI Committee in EIB operations.
- Currently, the main interlocutor for the REGI Committee regarding EIB activities in Cohesion Policy is the European Commission. There is limited REGI Committee scrutiny of the EIB directly, although this is not due to reticence on the part of the EIB.
- At the level of officials, operational contact between the REGI Committee administrators and EIB officials is limited, and there is considerable scope for more active dialogue and knowledge exchange.

European Investment Bank– European Commission relations

- Relationships between the EIB and the European Commission have developed significantly and are largely judged to be 'positive' on both sides.
- In the past, there was a significant cultural gap between the EIB and Commission in terms of different working practices. This gap has narrowed in recent years, although there is still scope for better mutual knowledge exchange.
- The different priorities of the institutions sometimes create difficulties. For the EIB, commercial objectives are an important part of its decision making whereas for the Commission the primary concern is the contribution of projects towards policy objectives.
- At the start of the 2007-13 programme period, the relationship between the EIB and DG Regio regarding FIs was unbalanced, with the EIB having considerably greater experience in the practical application of FIs. On the other hand, the EIB had to improve its understanding in terms of the complexities of Cohesion Policy implementation. Throughout the 2007-13 programme period DG Regio and the EIB have been able to exchange technical and policy knowledge which has increased understanding and capacity.

Inter-institutional relationships between the EIB, on the one hand, and the European Commission and European Parliament, on the other, involve a complex set of formal and informal relations. This chapter provides an overview of the practical arrangements between the institutions and an assessment of the experiences and evolution of relationships over the 2007-13 period. The chapter first discusses the relations between the EIB and the European Parliament, followed by similar consideration of the relationship between the EIB and the European Commission. It concludes with a map of institutional relations for each of the EIB roles.

5.1 European Investment Bank – European Parliament relations

The Committee on Budgetary Control (CONT) and the Committee on Economic and Monetary Affairs (ECON) are lead committees on EIB matters. CONT exercise the control of the financial activities of the European Investment Bank and ECON is responsible for the relevant financial activities of the European Investment Bank as part of European economic governance in the Eurozone.²⁷⁰ The Committees alternate annually in terms of assessing responsibilities concerning the EIB. The EIB Annual Report published by the EIB is the starting point for this process. The Committee Rapporteur is free to select the activities on which to focus; this usually includes all EIB activities. The process involves a number of stages:

- presentation of the EIB Annual Report by the President of the EIB in the Committee;
- initial exchange of views;
- formalised questions presented to the EIB;
- preparation of Committee draft report by the Rapporteur;
- submission of opinions from other Committees (for example, see the opinion European Parliament REGI Committee, 13 November 2015);²⁷¹
- a vote in CONT/ECON on the final report; and
- a vote in a Plenary Session of the European Parliament on a resolution, with a final opportunity for Members/Political Groups to table their amendments if they have not been taken into account during the Committee stage.

Overall, **the role of the REGI Committee is to scrutinise those elements of the EIB activities that are linked to Cohesion Policy**. There are a number of ways in which the REGI Committee can engage with EIB activities:

- submit an opinion on EIB operations (Annual Report);
- invite EIB representatives to discuss specific issues;
- draw up own-initiative reports²⁷² that target or include reflections on the role of the EIB in Cohesion Policy; and
- request external expertise (e.g. studies) on EIB activities.

Turning to experience of the EIB-European Parliament relations in practice, a number of key issues can be identified. First, **scrutiny of EIB activities is partial**. The Annual Report provides a high-level overview of EIB activities and forms the basis for further scrutiny. The ECON/CONT Rapporteur seeks direct contact with the EIB in order to explore issues and ask further questions. To a large extent, the nature of these relations depends on the issues that are of more (political) interest to the Rapporteur, and there is considerable flexibility in terms of the activities on which they decide to focus. This has included topics such as the EIB's role in supporting SMEs or developing external relations, but not specifically Cohesion Policy or regional development activities.

Second, there is **fragmented political oversight** of EIB activities in the European Parliament. Within the lead Committees (CONT/ECON), there is clearly established awareness and expertise on the EIB and its activities, but there has been less engagement by other committees, including REGI. Several European Parliament interviewees noted the

²⁷⁰ Powers and responsibilities of standing committees are described in Annex VI of The Rules of Procedures of the European Parliament (CONT, ECON, REGI). The modalities governing responsibilities of these committees are expected to be changed, but it is not known at the time of writing in what way it will affect the role of CONT/ECON in this process.

²⁷¹ European Parliament (2015) *op. cit.*

²⁷² For more information see: <http://www.europarl.europa.eu/sides/getDoc.do?pubRef=-//EP//TEXT+RULES-EP+20150909+RULE-052+DOC+XML+V0//EN&language=EN&navigationBar=YES>

increasing interest of REGI Committee Members in the activities of the EIB, associated with the EIB's growing role in Cohesion Policy and the establishment of EFSI, and the scope for developing a better understanding of the EIB among Members.

Third, **relations between the EIB and the REGI Committee have been organised on a somewhat ad-hoc basis**. According to some interviewees, the REGI Committee has, on only very few occasions, formally engaged with EIB activities despite its increased role in Cohesion Policy. For example, the REGI Committee has provided an opinion on the EIB's Annual Report only on two occasions in 2009 and 2015.²⁷³ Interviewees noted that this process was unsatisfying for a number of reasons:

- the report was considered to provide limited, easily accessible and aggregated information in terms of the EIB activities in Cohesion Policy;
- the Committee lacked expertise to scrutinise it sufficiently; and
- the opinion was drafted in general terms, potentially limiting its influence.

European Parliament interviewees noted that **the lack of scrutiny by the REGI Committee was not due to reticence or resistance on the part of the EIB**. During the 2007-13 period, EIB representatives were invited on a number of occasions to attend REGI Committee meetings to present a report or give other presentations. Interviewees reported that, on these occasions, EIB representatives had demonstrated a clear willingness to respond and make a positive contribution to the work of the REGI Committee. In the 2014-20 period, in the context of EFSI discussions, EIB representatives have been invited to speak at the REGI Committee to discuss the take-up of projects under the Fund.²⁷⁴

Fourth, at an administrative level, **the operational contact between REGI Committee European Parliament administrators and EIB representatives is limited**. The main interlocutor for REGI administrators is the Commission; when specific EIB information is sought, it is often obtained from secondary sources. The administrative level in the European Parliament in general – and the REGI staff specifically – currently do not possess the technical knowledge to engage knowledgably or effectively with EIB activities, particularly in relation to the implementation of FIs. One of the major challenges at the administrative level for European Parliament is that there are only limited staff and a high turnover due to the staff rotation policy.

Interviewees from both the EIB and the European Parliament were keen for active dialogue between EIB representatives and REGI administrators to be stimulated. They noted that the relationship should not only be based on formal reporting structures; the quantitative data in the Bank's reports require interpretation and context. Therefore, ways should be sought to **improve the day-to-day dialogue between the institutions** with the aim of improving the understanding of possibilities and limitations of EIB operations in general and FIs in particular.

As noted above, the fragmentation of scrutiny of EIB activities across the different committees is regarded as problematic. Some interviewees argued that better coordination between the Committees is necessary to effectively scrutinise the Bank's activities. It is also recognised that these challenges are much broader and relate to the European Parliament's opinion process (the main issue being that opinions provided by non-lead committees are not obligatory and not binding). However, there is scope to improve coordination within the

²⁷³ European Parliament (2009) opinion of the Committee on Regional Development for the Committee on Budgetary Control on the European Investment Bank (EIB) - Annual Report 2008 (2009/2166(INI)); European Parliament (2015a) *op. cit.*

²⁷⁴ European Parliament (2015d) *Press release - EFSI to support Cohesion Policy in the long term*, available at: http://www.europarl.europa.eu/pdfs/news/expert/infopress/20150327IPR38715/20150327IPR38715_en.pdf

existing framework by, for example, **establishing informal working groups focused on EIB-related issues.**

The establishment of **EFSI is leading to more involvement and interest in EIB operations by committees other than CONT/ECON** (see Section 6.7). The interest is mainly based on the increased responsibilities of the EIB in relation to the implementation of the Community budget, particularly the use of the EU Budget to leverage additional financing, which increases the case for more scrutiny. Within the context of EFSI, the European Parliament has called for the EIB and Parliament to set up a platform for dialogue between the EIB and the relevant Parliament Committees, which would lead to the EIB reporting to the Parliament and discussing EIB progress and activities on a quarterly basis. It would also provide for a regular structured dialogue between the Presidents of the EIB and the European Parliament, similar to the quarterly monetary dialogue between the ECB and the European Parliament, ensure increased parliamentary oversight of the EIB's activities, and facilitate enhanced cooperation and coordination between the two institutions.²⁷⁵ EFSI and its links to Cohesion Policy could provide the impetus for further European Parliament's REGI Committee engagement in EIB operations.

5.2 European Investment Bank – European Commission relations

At the highest level, relationships between the EIB and the European Commission are set out in the Bank's statutes. The European Commission nominates a member to the EIB Board of Directors; this is currently the Director-General of the Structural Reform Service, with the Director-General of DG REGIO as an alternate. The Commission is also a major shareholder of the EIF. Article 19²⁷⁶ of **the EIB's Statute stipulates that the Commission is notified of EIB projects and lending activities.**²⁷⁷ The main contact point for the EIB is DG ECFIN which shares the projects across the DGs, for example DG REGIO if the project relates to Cohesion Policy objectives. In some cases, several DGs can be involved.

Project proposals are shared with desk officers of the responsible geographical unit. Checks are performed on whether projects receive Cohesion Policy funding, and the process is also used to identify possible synergies or contradictions. The Commission delivers an opinion within two months. If no reply is received within this period, the Bank may assume that there is no objection to the investment. The Commission's representative on the EIB Board of Directors can highlight such issues when projects come up for approval.

It was noted in the interview research that, during the 2007-13 period, **projects were rarely challenged by DG REGIO desk officers.** On the one hand, this may indicate a high level of complementarity between EIB activities and Cohesion Policy funding, but it could also indicate insufficient attention being paid to potential issues regarding EIB lending. On the other hand, it was also noted that the projects presented are often at early stage of development and that there is too little information available on the financing of the projects. The ESI funding and the relation with the Cohesion Policy is often not mentioned in the consultation documents provided by EIB.

In terms of the EIB's activities in Cohesion Policy, there is also an inter-institutional relationship with regard to monitoring and control. **The EIB has to adhere to Cohesion Policy regulatory requirements and national monitoring systems** to manage and control its (b)lending activities in Cohesion Policy. However, **the Bank reserves the right**

²⁷⁵ European Parliament (2015b) *op. cit.*

²⁷⁶ EIB (2013b) *Statute and other Treaty Provisions*, European Investment Bank, Luxembourg, available at: http://www.eib.org/attachments/general/statute/eib_statute_2013_07_01_en.pdf

²⁷⁷ The Member State concerned can also deliver an opinion.

to request additional information and perform on-the-spot visits in order to verify the project's physical implementation.

During the 2007–13 period, **relationships between the EIB and the Commission have developed significantly and are now largely judged to be 'positive' on both sides. The joint initiatives (JESSICA, JEREMIE, JASPERS and JASMINE) (see Section 3.4) have provided a basis to deepen and broaden the relationship between the EIB and the Commission.** The relationship with regard to the joint initiatives was formalised in 2006 in several memoranda of understandings (MoU) between the Commission and the EIB together with the EBRD (for the JASPERS initiative) and with the CEB (for the JESSICA initiative). The Memoranda set out the principles for a coordinated approach and cooperation between the Commission and the EIB, in close cooperation with the Member States, in the preparation, programming and implementation of the special instruments.²⁷⁸ In 2014, another MoU was signed between the EIB and the Commission (DG AGRI) for cooperation in agriculture and rural development in the 2014-20 period with the aim of strengthening FIs in the context of rural development.²⁷⁹

A study on the implications of EIB co-financing for the EU budget noted that, in most cases, the EIB colleagues were regarded (by Commission and Parliament interviewees) as **effective policy partners able to mobilise large-scale finance for projects.**²⁸⁰ Interviewees for this study also noted that institutional relationships with the EIB and the Commission were strong, and openness between the different institutions was improving.

Among the joint initiatives, JASPERS can be considered the most straightforward initiative. The rationale for the initiative was clear from the start for both the Commission and the EIB. The EIB had a proven track record in terms of delivering technical assistance for large-scale (mainly infrastructure) projects, and this model could be transferred relatively easily to the JASPERS facility. Additionally, there was a strong buy-in from MAs who wanted and actively sought the advice.

The urban development FIs presented more challenges. Offering financial instruments in the field of urban development and regeneration was relatively new for both the EIB and the Commission. Additionally, funding for urban development FIs (and enterprises) drew directly from the Cohesion Policy budget, which made implementation more difficult. The implementation process was therefore slower and more fraught with legal questions. The tensions were amplified by the different working practices in both institutions. For the Commission, seeking guidance on legal issues (especially on State aid and Competition Policy rules) was often an iterative and lengthy process and relied on internal consultations between DGs. The EIB was not accustomed to these processes and was surprised by the lengthy timescales for its own legal clarification requirements. It faced considerable challenges in terms of keeping the client base (financial intermediaries) interested. The EIB required legal clarifications and a full understanding of the details prior to implementation.

²⁷⁸ EC and EIF (2006) Memorandum of Understanding in respect of a Coordinated Approach to improving Access to Finance for micro to medium enterprises in the regions supported by the European Regional Development Fund; EC, EIB, CEB (2006) Memorandum of understanding in respect of a Coordinated Approach to the Financing of Urban Renewal and Development for the Programming Period 2007-2013 of the Community Structural Funds; EC, EIB and EBRD (2006) Memorandum of Understanding in respect of Joint Assistance in supporting projects in European Regions (JASPERS).

²⁷⁹ European Investment Bank (2014f) EC and EIB sign MoU for co-operation in Agriculture and Rural Development, available at: <http://www.eib.org/infocentre/press/releases/all/2014/2014-164-ec-and-eib-sign-mou-for-co-operation-in-agriculture-and-rural-development.htm>

²⁸⁰ European Parliament (2013b) *op. cit.*

According to interviewees, **the enterprise FIs presented the greatest challenge in terms of implementation**. The nature of the enterprise FIs (i.e. SME support) meant that there were many uncertainties regarding State aid that had to be clarified. More fundamentally, there were considerable cultural differences between the institutions in this field. Many EIF staff had a banking background, were focused on business objectives, and were often frustrated by the slow speed of the process. On the other hand, the Commission wanted assurances that the enterprise FIs would contribute to policy objectives, notably the Lisbon Strategy. Their impression was that the EIF often regarded the provision of credit to SMEs as valuable in itself.

The implementation of these initiatives highlighted some of the challenges of adopting FIs in the Cohesion Policy framework and the relations between the EIB and the Commission. First, and perhaps most fundamentally, there was a **cultural gap between the EIB and the Commission**. The administrative culture of the Commission was not always compatible with the more business-orientated culture of the EIB and in particular the EIF; practices, processes, expectations and timescales varied considerably. Both institutions underwent a process of learning in order to implement the joint initiatives effectively. Although the institutional cultures remain distinct, significant inroads into the culture gap have been made over the past 7-8 years.

Second, at the start of the 2007-13 programme period, **the relationship between the EIB and the Commission regarding FIs was unbalanced**. The EIB has long-standing and deep expertise in the area of FIs, while the Commission had limited capacity both in terms of knowledge and personnel. The Commission's lack of expertise in this area meant that some fundamental mistakes were made:

- no reporting or monitoring framework with regard to FI was established until 2011;
- guidance was unclear and had to be updated on several occasions; and
- the responsibilities between the EIB and the Commission for animating and providing guidance were unclear.

Third, the innovative nature of the instruments meant that there was **a certain level of experimentation**. Inevitably, the implementation process required flexibility, something which the regulatory framework did not always allow and which led to a large number of complex legal questions in relation to State aid.

Fourth, some interviewees noted that although the relationship between the EIB and the Commission is generally good, the **different priorities of the institutions can sometimes lead to challenges**. As the Commission is accountable for the Community budget, it considers FIs from a policy perspective and prioritises policy objectives at all times. The EIB tends to think more in terms of the effectiveness and efficiency of the instruments. In this context, it is important to note the difference between the EIB and the EIF. The EIB has a wider policy mandate and therefore is arguably more attuned to Cohesion Policy objectives. The EIF can, in the opinion of some interviewees, be regarded as more business/banking-oriented.

It also has to be noted that implementation was affected by **several contextual issues**, which had an important impact on relationships between the EIB and the Commission.

- At the time of the implementation of the joint initiatives, the Commission was under pressure from the European Court of Auditors and the European Parliament's CONT Committee regarding the high error rate in Cohesion Policy expenditure. In seeking to reduce the error rate, the Commission took fewer risks in implementing FIs and wanted assurances that models were compliant with rules and regulations to avoid

future errors. **The intensified focus on the detail of implementation led to hesitation and delays.**

- Despite a Memorandum of Understanding and intensive discussions in preparing the joint initiatives, **several misunderstandings of the role of the EIB became apparent to DG REGIO staff.** DG REGIO had anticipated that the implementation of the initiatives would largely be handled by the EIB. It expected the EIB to develop guidance and provide clarifications in relation to implementation. This did not turn out to be the case, and instead DG REGIO was faced with an increasing number of legal and implementation questions from the EIB. These issues also had a financial dimension; for example, there were misunderstandings regarding the Technical Assistance budget for evaluations and gap analyses as well as misinterpretations of the financing of the management costs of JASPERS support. These misunderstandings led to increasing frustration among DG REGIO desk officers with the lack of guidance and slow progress that was being made.
- Managing authorities complained about the **high management fees for EIB holding funds** and that implementation practices of the EIB/EIF were too rigid in their conditions. This led to some countries – which initially intended to have holding funds with the EIF – switching to their ‘own’ national banks.
- The use of national development banks or other financial intermediaries as holding fund managers was logical in Western Europe where there is a strong financial services infrastructure. However, in several Member States in Southern and Central and Eastern European, national development banks or **other financial intermediaries are less developed and therefore the EIB expertise was considered beneficial.**
- **Implementation took place in rapidly changing market conditions.** The financial and economic crisis shifted the focus and put considerable strain on budgets.

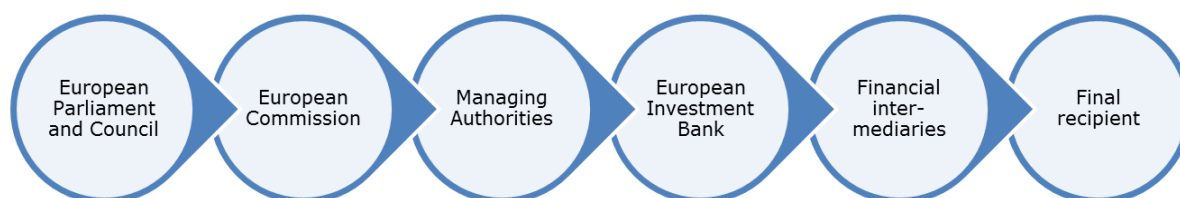
In response to some of these issues, in 2008 DG REGIO established a small team of 2-3 staff who had been involved in the preparation of the special initiatives. This FI unit was tasked with coordinating relationships with the EIB as well as with internal desk officers. However, the team was unable to cope with the heavy demands that were placed upon it, and it was restructured in 2010. The new team included two members of staff from the EIB and had more resources. This led to significant improvements in relations and better competence in DG REGIO. However, staffing pressures remained a frustrating issue from DG REGIO’s perspective. The EIB was able to put together a team that was larger than the FI unit in DG REGIO, but a lot of responsibilities and demands were placed on the smaller unit. At the time of writing (September 2015), the DG REGIO unit consists of 15 staff. **The reliance on EIB expertise has decreased as DG REGIO has built up its own capacity and expertise.**

5.3 Mapping institutional relations

The discussion in Section 3.1 demonstrated that the EIB has a number of different roles when it comes to implementing Cohesion Policy. The relationship between the different institutions and wider stakeholders varies depending on the EIB role in Cohesion Policy. This section maps out the institutional relationships for each of its roles.

The relationship for mandate management is illustrated in Figure 14. In this case, the relationship between the EIB and other EU institutions goes through MAs as part of the shared management responsibilities between the Commission and the local, regional and national bodies. The EIB is a beneficiary of Cohesion Policy funding, and its relationship is with the managing authority rather than with the Commission directly. The European Parliament is ultimately responsible for scrutinising the implementation of the Community budget for which the main interface is the Commission. There is no direct relationship between the European Parliament and the EIB.

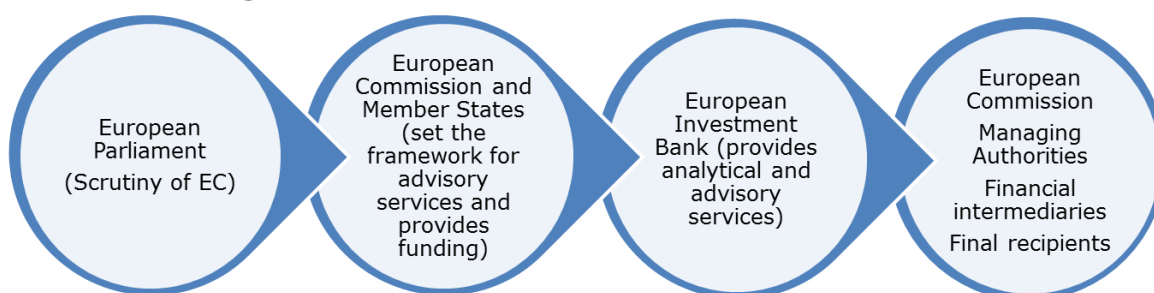
Figure 14: Institutional relationships – mandate management



Source: EPRC

In terms of the Bank's advisory, analytical and capacity-building role, the relationship between the EIB and the Commission is more direct (see Figure 15). The Commission sets the framework and provides funding for many of the services that the EIB provides. Advisory services are offered to a range of beneficiaries that includes the Commission (DG REGIO), MAs, financial intermediaries at the national level, and in some cases final recipients (for example JASPERS). Again, there is no direct relationship between the European Parliament and the EIB, and the Commission is the interlocutor with regard to the EIB activities.

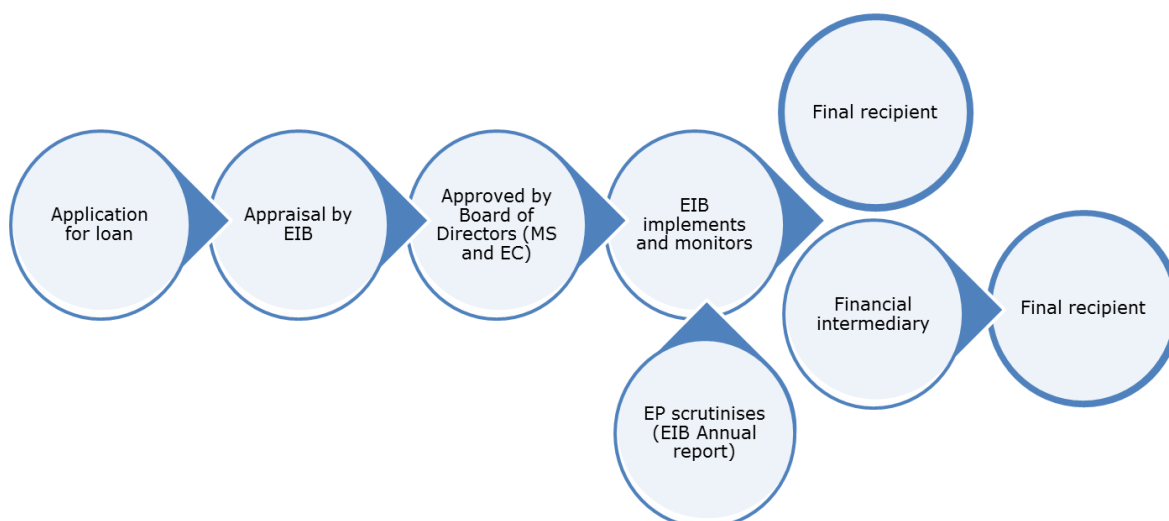
Figure 15: Institutional relationships – EIB advisory, analytical and capacity-building services



Source: EPRC

For the EIB's (b)lending decisions, the relationship between the different institutions is different yet again (see Figure 16). The Commission (together with Member States) as a Member of the Board of Directors is responsible for decisions on lending activities. The EIB has administrative responsibilities in terms of preparing lending decisions and also implementing and monitoring loans. The European Parliament has in this case a direct relationship with the EIB as part of its responsibility to scrutinise the EIB Annual Report.

Figure 16: Institutional relationships – EIB (b)lending



Source: EPRC

6 THE ROLE OF THE EIB IN THE 2014-20 PROGRAMME PERIOD

KEY FINDINGS

- The role of the EIB within Member States varies greatly across the EU, but insofar as information is available, there is likely to be an expansion of its activity both in terms of the number of countries where it is involved and the depth of its involvement. A more complete picture of the role of the EIB in FIs in 2014-20 will become available in the second half of 2016.
- The SME Initiative, introduced in 2013, is a joint instrument that aims to utilise synergies between existing SME support programmes at national and EU levels. The EIB played an important role in the sourcing and structuring of the operations supported by the SME Initiative. By late 2015, the uptake of the initiative had been considerably lower than initially expected.
- The provision of advisory/technical assistance on FIs has been implemented through the EIB's *fi-compass* unit. The new *fi-compass* initiative consists of horizontal advisory services for all Member States and types of FIs. *fi-compass* provides advisory support on behalf of all shared management DGs in the Commission, and it contributes to capacity-building of financial intermediaries in Member States.
- The ESIF Regulation provides MAs with several options for FI implementation. One option is for MAs to entrust the implementation of financial instruments set up at national, regional, transnational or cross-border levels (including those using standard terms and conditions ('off the shelf instruments')) to IFIs, including the EIB..
- EFSI provides a guarantee for the EIB to extend its 'special activities' portfolio and a potential basis for deeper and broader cooperation between the EIB and other European institutions. As contributor to the EFSI, the EIB will have representatives on the Steering Board. The significant involvement of the EIB in EFSI means that any EFSI-supported project will also require approval according to the EIB's regular procedures. A European Investment Advisory Hub is being set up. The EFSI Regulation foresees extensive rules to ensure accountability of the EFSI to the European Parliament.
- Strategic coherence, thematic concentration and result orientation in the 2014-20 programmes present opportunities for the EIB in terms of greater emphasis on revolving funds and a better-defined framework for implementation, increased possibilities to identify additional complementarities at the strategic level, and more opportunities to provide co-financing.

The role of the EIB is increasing following the reform of Cohesion Policy for the 2014-20 programme period. The EIB is continuing its lending activities in relation to Cohesion Policy programmes and has centralised its advisory activities to provide a more coherent and coordinated service. In particular, FIs are playing an increasingly important role in the delivery of key policy objectives, notably Europe 2020. Operating under conditions of economic uncertainty, fiscal deficit and consequent budgetary pressures, and encouraged by the early performance and leverage effects of FIs, policymakers see considerable value in supporting the further development of innovative FIs and for their use in both existing and

new policy-related areas of activity.²⁸¹ Moreover, EFSI affords an additional role to the EIB which is closely linked to Cohesion Policy objectives.

6.1 Financial instruments

The CPR regulation extends the possibility of using financial instruments in place of grants to all ESI Funds and all thematic objectives.²⁸² Some of the most important changes for the 2014-20 period are:²⁸³

- the need for ex-ante assessment for FIs;
- the possibility to implement FIs in all sectors (not just enterprises, urban development and energy efficiency);
- the phasing of payments;
- stricter rules and limits on management costs;
- changes in State aid compliance rules;
- two new structures to implement FIs (i.e. the possibility of contributing ESI Funds to EU-level instruments and the possibility of using pre-prepared FI models with standard terms and conditions (off-the-shelf instruments); and
- technical assistance platforms.

In terms of the role of the EIB/EIF, this means that it:

- can be entrusted by the Member States to implement and manage EU-level instruments (e.g.. SME initiative);²⁸⁴ continues to manage FIs;
- can lever EIB loans into FIs; and
- provides technical assistance through the *fi-compass* platform.²⁸⁵

These measures aim to provide **greater flexibility, provide a stable implementation framework, exploit synergies and ensure compatibility between different FIs**. In late 2015, almost two years into the 2014-20 programme period, **the stage of development of plans by MAs for the implementation of FIs varies widely**. At time of writing (December 2015), most Member States are still in the first stages of the FI lifecycle. Although data have not yet been collected by the Commission on FIs in 2014-20 (the first Annual Implementation Reports for the period are not due to be submitted to the Commission until May 2016), the survey results for this study and wider EPRC research²⁸⁶ provide some indication of the use of financial instruments in 2014-20. The EIB and EIF have conducted ex-ante assessments for the 2014-20 period in Romania, Bulgaria, Slovakia, France (Rhône-Alpes and Lorraine, Languedoc-Roussillon) Malta and United Kingdom (England)).²⁸⁷

While there are some early indications of Member State and MA plans for FI use in 2014-20, the rationale and motivation underlying changes in approach from the 2007-13 period are not always clear, but include such factors as:

²⁸¹ Michie and Wishlade (2011) *op. cit.*

²⁸² Regulation (EU) No. 1303/2013 *op. cit.*

²⁸³ Wishlade and Michie (2015) *op. cit.*

²⁸⁴ See: http://www.eif.org/what_we_do/guarantees/sme_initiative/index.htm

²⁸⁵ For more information see: <http://www.fi-compass.eu/>

²⁸⁶ On-going research carried out as part of the IQ-Net consortium (see <http://www.eprc.strath.ac.uk/ignnet/>).

²⁸⁷ EIB (2015d) *Using Financial Instruments for SMEs in England in the 2014-2020 programming period*, European Investment Bank, Luxembourg, available at: <http://www.ilep.org.uk/content/uploads/2015/07/SME-ex-ante-Block-One-SUMMARY-13-2-15.pdf>

- reaction to positive or negative experience gained in 2007-13;
- rationalising approaches to increase cost-effectiveness;
- responding to changes in the market situation; and
- negative reactions to the administrative burden and risk of co-financing FIs.

The exact role of the EIB and EIF in FIs in the 2014-20 period is also not yet clear.²⁸⁸ Some Member States which already have a strong partnership with the EIB note that they expect this to continue in 2014-20, and in some cases it is expected to expand. For example, According to survey responses, Slovakia is expected to allocate more than EUR 400 million from Cohesion Policy programmes to financial instruments and expects that (b)lending from the EIB/EIF at the project level will increase. Other Member States in which the EIB has so far not played a major role are considering a possible expansion of its activities (Sweden, Estonia, Finland as well as a number of French regions).

There are also Member States in which the EIB's activities are expected to remain limited. Austria and Belgium (Flanders) note that there are currently no plans to engage with the EIB in relation to Cohesion Policy programmes and projects in the 2014-20 programme period. For Poland, the scope and nature of the support provided by the EIB has not changed significantly in comparison with 2007-13 period.

6.2 Ex-ante assessments

In the 2014-20 period, **ex-ante assessments are required for each FI**. According to Article 37(2) of the CPR, support through financial instruments needs to be based on an ex-ante assessment that has established evidence of market failures or sub-optimal investment situations, as well as the estimated level and scope of public investment needs, including types of financial instruments to be supported. The managing authority is responsible for carrying out such assessments.

The EIB commissioned a study, co-financed by DG REGIO, for **the development of a general methodology covering all thematic objectives generically as well as four guidance documents for specific thematic objectives**²⁸⁹ (TOs, Article 9 CPR) and guidance for FIs for urban and territorial development.²⁹⁰ The methodology is for a large extent based on earlier methodologies developed by the EIF.²⁹¹ Article 37(2) of the CPR articulates the required content of an ex-ante assessment (See Table 13).

²⁸⁸ It is worth noting that for the the EIB and EIF will not only implement new FIs but also continue to implement 2007-13 HFs (some HFs will be transitioning back to Member States demonstrating the EIB and EIF's role in capacity building).

²⁸⁹ TO 1 (strengthening research, technological development and innovation); TO 3 (Enhancing the competitiveness of SMEs, including agriculture, aquaculture and fisheries); and TO 4 (supporting the shift to low-carbon economy).

²⁹⁰ fi-compass (2014) *Ex-ante assessment for ESIF financial instruments, quick reference guide*, available at: http://ec.europa.eu/regional_policy/sources/thesfunds/fin_inst/pdf/ex_ante_vol0.pdf

²⁹¹ EIF (2014a) *Guidelines for SME ACCESS to Finance Market Assessments (SAFMA)*, working paper 2014/22, European Investment Bank, Luxembourg, available at: http://www.eif.org/news_centre/publications/eif_wp_22_gafma_april14_fv.pdf; Kraemer H and Lang F (2014) A Practical Approach to the Market Analysis Part of SME-Related Ex Ante Assessments, ESTiF 3.

Table 13: Ex-ante assessment requirements

Article 37 (2)	Description
a) Analysis of market failures, sub-optimal investment situations and investment needs	<ul style="list-style-type: none"> - identification of the main reasons, type and size of market failure and sub-optimal investment situations with a good practice methodology to make sure the FI resources are used where they make a difference; and - FI needs to contribute to the strategy and to the expected results of the relevant programme(s) by bridging a viability gap or a financing gap.
b) Value-added of the financial instruments	<ul style="list-style-type: none"> - check the value-added of the FI; - consistency with other forms of public intervention addressing the same market failure to limit overlap and avoid conflicting targets; - possible State aid implications including the proportionality of the envisaged intervention to the identified market needs; and - measures to minimise market distortion resulting from the FI.
c) Additional public and private resources	<ul style="list-style-type: none"> - estimate of additional public and private resources to be potentially raised by the FI; - co-financing down to the level of the final recipient; - expected leverage effect; and - if relevant, an assessment of the need for and level of preferential remuneration to attract counterpart resources from private investors.
d) Lessons learnt	<ul style="list-style-type: none"> - analysis of lessons learnt from similar or instruments considered relevant in the past; - analysis of ex-ante assessments carried out by the MS in the past; - application of these lessons to make sure that the FI builds on existing and acquired knowledge.
e) Proposed investment strategy	<ul style="list-style-type: none"> - thematic and geographical coverage of the FI; - ensure that, within the meaning of Article 38, the most appropriate implementation option is chosen with regard to the country/regional situation; - financial products to be offered to ensure an adequate response to market needs; - final recipients targeted; and - if relevant, envisaged combination with grant support to maximise efficiency and ensure minimum intensity of the support element/element of subsidy.
f) Expected results	<ul style="list-style-type: none"> - specification of the expected results and outputs of the FI within the priority of the programme(s); and - definition of reference and target values based on the specific contribution of the FI to the priority of the programme results and outputs indicators.
g) Provisions allowing the ex-ante assessment to be reviewed	<ul style="list-style-type: none"> - rationale for the revision of the ex-ante assessment; - practical and methodological procedures to update the ex-ante assessment; and - steps to adapt the FI implementation.

Source: Fi-compass (2014) *Ex-ante assessment for ESIF financial instruments – quick reference guide*

6.3 EU-level instruments in Cohesion Policy and SME Initiative

Article 38(1) of the CPR introduces the option that managing authorities may provide a financial contribution to financial instruments set up at **EU level, managed by the Commission with implementation tasks entrusted to the EIF**.²⁹² Decisions on contributions should be based on the ex-ante assessment which was carried out by the Commission, and ESIF programmes' allocations should be ring-fenced and invested in the

²⁹² Regulation (EU) No. 1303/2013 *op. cit.*

programme area.²⁹³ According to CPR (Art. 39.2(b)), a single dedicated national programme shall be established.

Perceived advantages of using FIs at the EU level rather than at other levels relate *inter alia* to:²⁹⁴

- multiplier effects;
- capacity-building (national and local institutions benefiting from EU-level entrusted entities' know-how in relation to the design and implementation of financial schemes);
- ability to address market fragmentation;
- facilitate the development of common standards across the EU;
- help avoiding duplication of efforts;
- efficiency savings for the managing authority in the set-up phase (managing authorities are thus relieved of much of the administration related to design, tendering, reporting and compliance issues);²⁹⁵
- promote cooperation between Member States, institutions and levels of power; and
- minimise risks of failure in areas where it would be difficult for an individual Member

Potential challenges may include:

- overlaps of FIs at European and national levels,
- regulatory requirements of ESIF remain applicable alongside all regulatory requirements applying to the EU-level instruments leading to a potential overregulation (in the case of SME Initiative this is to an extent avoided by having a separate provisions in the CPR);
- lack of synergies among different kinds of expertise, and
- insufficient understanding of EU Regulations amongst actors involved.²⁹⁶

Moreover, managing authorities may have concerns over the lack of flexibility and control in the EU-level instruments. The added value of allocating funds 'back up' to the Union level, associated with the complexities of EU financial circuitry, might also be questioned.²⁹⁷

Although the CPR contains provisions for different kinds of EU-level instruments, it particularly refers to one type. Article 39 of the CPR includes specific provisions for ERDF and EAFRD contribution to EU-level FIs in favour of SMEs (which relates to ESIF allocation to the SME Initiative). The SME Initiative may be considered an EU-level instrument in Cohesion Policy, as it combines resources from centrally managed EU programmes and ESIF.²⁹⁸ The SME Initiative is a joint instrument that aims at utilising synergies between existing SME support programmes at national and EU levels. It combines resources from centrally managed EU programmes COSME and Horizon 2020, ESIF, the EIB resources and possibly those of national institutions and private investors. The rationale for the launch of the initiative related to considerations that the blocked credit channel to SMEs has been among the key obstacles to growth recovery from the economic crisis, and that increased volume of lending to SMEs in the EU, achieved by pooling resources and providing capital relief to EU banks, would help stimulate economic growth. Making different resources available for SMEs was expected to achieve greater leverage effects and economies of scale.

²⁹³ European Commission (2014e) *op. cit.*

²⁹⁴ European Commission (2013b) *op. cit.* ; Núñez Ferrer *et al.* (2012) *op. cit.*

²⁹⁵ Wishlade and Michie (2015) *op. cit.*

²⁹⁶ European Parliament (2013a) *op. cit.*

²⁹⁷ Wishlade and Michie (2015) *op. cit.*

²⁹⁸ Commission Implementing Regulation No. 964/2014 of 11 September 2014 laying down rules for the application of Regulation (EU) No 1303/2013 of the European Parliament and of the Council as regards standard terms and conditions for financial instruments. OJ L 271, 12.9.2014.

The SME Initiative comprises two different options (not mutually exclusive).

- **Uncapped guarantee instrument.** This provides uncapped portfolio guarantees and partial capital relief to banks building up new portfolios of loans, guarantees for loans and leasing to SMEs. Potential benefits include the ability to increase bank-lending capacity towards SMEs, possibly also to 'higher-risk' SMEs, and the simplicity of the structure. Potential challenges include: the limited complementarity and potential overlaps with existing EU or national guarantee schemes (e.g. the UK Enterprise Finance Guarantee scheme and the Funding for Lending Scheme; the Italian *Fondo Centrale di Garanzia*, the French OSEO guarantee scheme, a Belgium guarantee scheme); it requires on-going reporting and monitoring, and needs time to get credit approval; the fact that it is only for new loans could end up being restrictive.²⁹⁹
- **Joint securitisation for new and existing loans.** This provides a joint securitisation instrument, by combining EU resources (COSME and/or Horizon 2020) with ESIF. A portfolio of SME loans must be built up by the banks who benefit from having their portfolios of already existing or new SME loans securitised with support from ESIF, COSME/H2020 and EIB Group resources. Potential benefits are: it allows more complementary solutions with third parties and is able to increase leverage and outreach by attracting private investors (who would be more likely to join in, as risk levels of tranches of existing portfolios can be assessed); and it has the advantage of potentially providing both funding and capital relief. Perceived drawbacks include potential difficulty in getting investors due to challenges in dealing with unfavourable regulatory environments and ineligibility of synthetic transaction in some jurisdictions, and more complex regulations and further reporting requirements for additional portfolios.

Financial contributions to the initiative should be based on an ex-ante assessment, covering, among other things, the SME-financing conditions and needs at EU level. The contribution should be provided by each participating Member State as part of a single dedicated national programme per fund. A Member State can contribute up to seven percent of its total ERDF and EAFRD allocation to the initiative, with a global ceiling (EUR 8.5 billion) at EU level also established.³⁰⁰

The EIB and EIF played an important role in the sourcing and structuring of the operations supported by the SME Initiative. In compliance with Article 39 CPR, the instrument is managed indirectly by the Commission with implementation tasks entrusted to the EIB. The participating Member States are required to conclude a funding agreement with the EIB. For the purposes of implementation of the instrument, the EIB enters into contractual arrangements with selected financial intermediaries. The Commission with inputs from the EIB and EIF carried out an ex ante assessment providing evidence for the weakness of the SME lending market. At the preparation stage, the EIB elaborated on different options for the initiative (jointly with the Commission) and prepared a report analysing the opportunities and challenges related to the SME Initiative.³⁰¹ The SME Initiative builds on combined EIB and EIF expertise with regard to guarantee instruments and knowledge gained through the management of Structural Funds and EU-level instruments.

²⁹⁹ European Commission (2013b) *op. cit.* (on the basis of feedback received from market participants).

³⁰⁰ Regulation (EU) 1303/2013 *op. cit.* Article 39.2.

³⁰¹ European Commission (2013b) *op. cit.*

More specifically, with regard to the two FI options: for uncapped guarantees, while the ESIF guarantees the junior tranche and the EU resources together with EIF own resources the middle and upper mezzanine tranches, the EIF guarantees the residual risk of the senior tranches; for securitisation, ESIF and EU resources together with EIF own-resources guarantee the junior and mezzanine tranches, the EIB guarantees the residual risk of the senior tranches;³⁰² According to the ex-ante assessment of the SME Initiative, the role of the **EIB and EIF involvement might also be in providing a specific 'quality stamp' for the transactions** (e.g. with regard to the quality of information available, the reporting to be performed by the originator,³⁰³ modelling provided). It could also serve a catalyst in terms of standardisation, which would help create a broader and more liquid market across Europe.³⁰⁴

In general terms, compared to other FIs that can be set up with ESIF funding, the SME Initiative might offer participating Member States advantages such as:

- a potentially higher leverage effect on the ESIF contribution than might be achieved domestically due to a combination of various resources;
- no requirement of co-financing from national or regional resources;
- no need to conduct additional ex-ante assessment (as EU-level assessment replaces Member State/regional ex-ante assessment); and
- an already existing template for the Funding Agreement.

Potential advantages for financial intermediaries relate, for example, to capital relief enabling new debt finance for SMEs, additional funding in case of securitisation and the ability to extend the volume of loans without affecting risk exposure. Potential advantages for SMEs include more favourable terms on loans and guarantees, more liquidity for investments, and availability of financing for projects that might otherwise be turned down by banks. **Overall, it can potentially contribute to capacity-building (drawing on the expertise of the Commission and the EIB in designing and implementing SME-financing schemes)³⁰⁵ and to overcoming the limitations linked to national programmes (such as different and unequal structures, policies and availability), by pooling available resources in a complementary way.** The potential of the initiative is also seen in its ability to 'inspire' Member States by designing coherent toolkits of FIs for SMEs.

³⁰² A 'tranche' refers to a piece, a portion or slice within a structured (EIF (2013b) SME Loan Securitisation 2.0, at http://www.eif.org/news_centre/publications/eif_wp_2013_19.pdf). Gradation of tranches in the capital structure is as follows. An equity tranche is the lowest tranche in the capital structure. It is a tranche with the highest risk. It carries the risk of payment delays and defaults first, and reduces the risk of the other tranches. The next more senior tranche is called mezzanine tranche. Mezzanine tranche investors are protected by the equity tranche and will incur losses only if the equity tranche is exhausted. On the other hand, their claims are subordinated claims of the senior tranche, which in turn will only be affected if the equity and mezzanine tranches are exhausted. A senior tranche is the highest tranche that offers a lower yield, because a lot of defaults would be needed to trigger losses in this tranche. Mäntysaari P (2009) *The Law of Corporate Finance: General Principles and EU Law*. Volume II: Contracts in General. Springer Science & Business Media, 2009.

³⁰³ According to Regulation (EU) No. 575/2013, 'originator' means an entity which: (i) itself or through related entities, directly or indirectly, was involved in the original agreement which created the obligations or potential obligations of the debtor or potential debtor giving rise to the exposure being securitised; or (ii) purchases a third party's exposures for its own account and then securitises them. In the context of SME Loan Securitisation, 'originator' is defined as an 'entity assigning receivables in a securitisation transaction (funded transaction) or seeking credit risk protection on the assets (unfunded transaction)' (EIF (2013b) *op. cit.*). 'Securitisation' as such refers to transactions that enable a lender or other originator of assets – typically a credit institution – to refinance a set of loans or assets (e.g. mortgages, leases, consumer loans) by converting them into securities (see EC (2015c) Proposal for a Regulation of the European Parliament and of the Council laying down common rules on securitisation etc., at: <http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52015PC0472&from=EN>

³⁰⁴ European Commission (2013b) *op. cit.*

³⁰⁵ *Ibid.*

The uptake of the initiative has hitherto been considerably lower than initially expected, and six Member States (Bulgaria, Finland Italy Malta, Romania and Spain) have signed up to it. According to European Parliament internal documents, the initial target for the SME Initiative was EUR 8 - 10 billion³⁰⁶ of ESIF which was considered necessary to assume sufficient critical mass and achieve impact. However, based on the most current information it seems it will reach only around EUR 1.2 billion of ESIF resources³⁰⁷ which represents about 15 percent of the global ceiling of EUR 8.5 billion as set out in the CPR. Part of the explanation of the lower uptake of the instruments relates to contextual changes. The scheme was introduced to address the hampered credit channel from banks to SMEs due to liquidity problems of the former, but according to one interviewee these have been less severe than expected. The banking legislation (i.e. recapitalisation) has had a lesser impact on liquidity than expected. Furthermore, the European Central Bank has started a programme of quantitative easing which has improved liquidity.³⁰⁸ Another important issue is that participation in the SME Initiative requires Member States to design a separate Operational Programmes which is a major undertaking. Lastly, the Initiative was introduced late in the regulatory process, meaning that many Member States had already begun the design and negotiation of Operational Programmes nationally which made introducing a new OP and re-allocating funding politically challenging.

One of the challenges is the continued concern among Member States about **losing control over their allocated ESIF funding by channelling funds back up to the EU level**. They have also been **uncertain about the added value** of such channelling and on whether the funds that they allocate would **actually be spent in their Member State/region and what would happen to the unspent funding**. An additional difficulty for Member States in joining the initiative is they have a **limited time remaining to opt-in** (commitments have to be made before the end of 2016). Moreover, the scheme was introduced quite late in the regulatory process (autumn 2013), when many Member States were already in an advanced state of programming. The potential integration of the initiative into national programmes might be a challenge, as programming has already been largely completed and introducing changes may present difficulties (upon negotiation of the funding agreement, Member States would have to submit a request for amendment of the single dedicated national programme and reallocate the contribution to other programmes and priorities). Specific challenges related to each of the two instruments (referred to above) are also among potential drawbacks.

Participation in the initiative is often a political decision taken at the state level rather than the MA. Considering the group of Member States that have signed up or that are potentially interested, a number of reasons for their participation could be hypothesised. First, some of the Member States have had challenges in terms of the absorption of funds through financial instruments in 2007-13, and the SME Initiative may be seen as a way to improve this. Related to this are capacity challenges in Member States such as Romania, Bulgaria and Malta. For smaller Member States like Malta, the initiative can also be seen as a way to achieve the necessary critical mass for the successful implementation of financial

³⁰⁶ Internal European Parliament documentation.

³⁰⁷ European Parliament (2015) 2014 Discharge to the Commission, Written Questions to Commission Cretu, hearing 7 December 2015, available at: <https://polcms.secure.europarl.europa.eu/cmsdata/upload/fc47d113-8987-4ef8-ad2a-236a748f1783/EP%20Questionnaire%20Cretu.pdf>.

³⁰⁸ In March 2015, the ECB announced an expanded asset purchase programme. Asset purchases provide monetary stimulus to the economy in a context where key ECB interest rates are at their lower bound. They are further expected to ease monetary and financial conditions, making access to finance cheaper. Combined monthly purchases will amount to €60 billion. They are intended to continue until at least September 2016. The ECB will also buy bonds issued by euro area central governments, agencies and European institutions in the secondary market against central bank money, which the institutions that sold the securities can use to buy other assets and extend credit to the real economy. For more information, see the ECB website: https://www.ecb.europa.eu/press/pr/date/2015/html/pr150122_1.en.html.

instruments. On the other hand, these countries have also built up considerable capacity by implementing FIs for enterprises in the 2007-13 period. Finally, some of these Member States historically have a strong relationship with the EIB, which may also favour their participation (for example, Spain receives the highest proportion of EIB group loans). However, further research is needed to determine the exact motivations for participation and non-participation.

6.4 FI-compass

A new technical assistance platform – *fi-compass* – was introduced for the 2014-20 period. The platform **will apply to all ESI Funds and is intended to provide common and fund-specific products related to FIs, covering the whole implementation cycle.**³⁰⁹

Funding for TA activities carried out by the EIB is provided by the Commission. There are two main strands to *fi-compass* in relation to its assistance to Member States and other stakeholders (e.g. financial intermediaries) (see Figure 17).

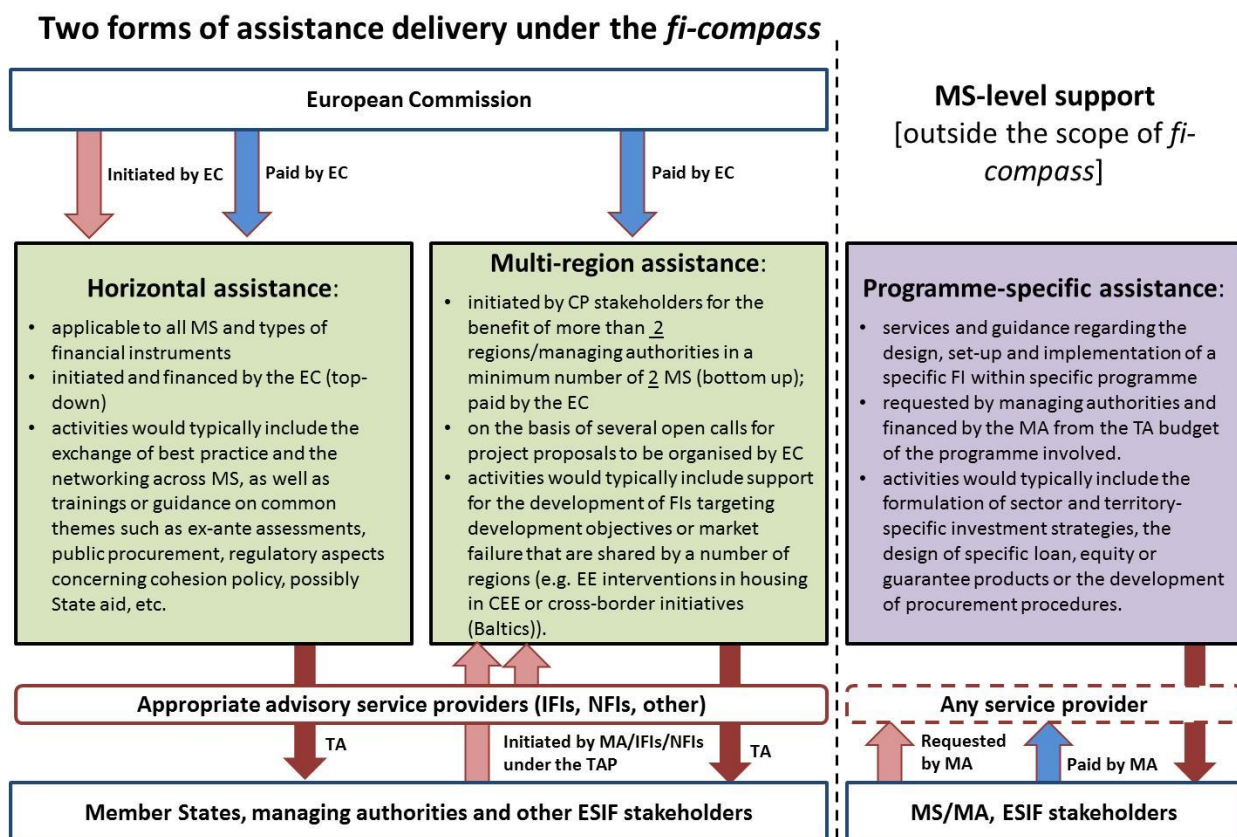
The first is **a horizontal strand, focusing on advisory services for all Member States and types of FIs** (e.g. exchange of best practice, networking, training, guidance on common themes such as ex-ante assessments, public procurement and State aid). This is carried out by the EIB, and activities under this strand are initiated through the definition of a horizontal work programme (top-down approach). Such activities include the exchange of good practice and networking across Member States, as well as training sessions or methodological guidance on common themes such as ex-ante assessments, regulatory aspects concerning ESIF Policies, etc. It will also develop knowledge to support the development of FIs in sectors with high potential but limited experience in the ESIF policies framework, such as energy efficiency and renewable energies, research and innovation, social infrastructure and services.³¹⁰ In other words, *fi-compass* is designed to support ESIF managing authorities, EaSI microfinance providers and other interested parties, by providing practical know-how and learning tools on financial instruments. These will include “how-to” manuals, factsheets for quick reference, e-learning modules, face-to-face training seminars and networking events. All products and services provided by *fi-compass* are publicly available at www.fi-compass.eu.

The second strand covers multi-region assistance responding to stakeholder proposals. The projects that may receive an EU grant must benefit at least two managing authorities in at least two Member States. They must aim at assessing a possible use of FIs targeting development objectives or market failures that are shared by a number of regions. Another possibility for the managing authorities to receive technical assistance is bilateral assistance including ex-ante assessment for FIs. Bilateral assistance supports individual Member States and managing authorities intending to set up and implement FIs in their territory. However, Member States must use their own TA budgets for tasks such as the ex-ante assessment or hiring a specialised body to assist the setting-up of a FI in their programme area.³¹¹

³⁰⁹ For more information, see: <https://www.fi-compass.eu/>

³¹⁰ Wishlade and Michie (2015) *op. cit.*

³¹¹ *Ibid.*

Figure 17: Horizontal and multi-region assistance under fi-compass as compared to bilateral technical assistance

Source: European Commission

6.5 Off-the-shelf instruments

Off-the-Shelf instruments are one of the innovations for the 2014-20 period. For FIs set up at national, regional, transnational or cross-border levels, managed by or under the responsibility of the managing authority, the CPR allows Member States to provide a financial contribution to FI 'complying with the standard terms and conditions laid down by the Commission' (Article 38(3)(a)).³¹² These terms and conditions provide **a standard template for the implementation of FIs and make them ready to use – the so-called 'off-the-shelf' instruments**. Such instruments have been developed to facilitate the design and management of the most commonly used types of FI supported by ESIF, in particular for specific sectors where FIs are expected to play an important role contributing to the Europe 2020 objectives,³¹³ and enable their wider use in a more standardised way,³¹⁴ helping managing authorities to deliver faster and safer funds to the final recipients.

Off-the-shelf instruments have been expected to extend the certainty and clarity of rules, thus reducing complexity and providing a 'quick-start' model.³¹⁵ They are designed to deal with a range of compliance issues,³¹⁶ including ensuring State aid compliance: their terms

³¹² Regulation (EU) No. 1303/2013 *op. cit.*

³¹³ European Commission (2013a) Draft Standard terms and conditions for financial instruments pursuant to Article 33(3)(a) of the CPR (2013).

³¹⁴ Ibid.

³¹⁵ Michie and Wishlade (2011) *op. cit.*

³¹⁶ Wishlade and Michie (2015) *op. cit.*

and conditions are structured in such a way that either do not involve State aid at all, or do not require State aid notification and subsequent clearance from the European Commission³¹⁷ (compatibility with State Aid rules). Complementarity of off-the-shelf instruments with some other FIs may also be noted.³¹⁸

An implementing act of September 2014³¹⁹ (2014/964/EU) lays down rules concerning the standard terms and conditions for three types of off-the-shelf instruments: risk-sharing loan (RS Loan)³²⁰, a capped portfolio guarantee,³²¹ and a loan for energy efficiency and renewable energies in the residential building sector (Renovation loan).³²² Two more off-the-shelf FIs – for equity investments for SMEs and urban development – are in preparation at time of writing (September 2015). It is envisaged that, depending on the different programmes and results of ex-ante assessments, additional off-the-shelf instruments may be developed by the Commission.³²³

The EIB or EIF have no unique role in terms of implementing off-the-shelf instruments. However, **the SME off-the-shelf products are based on EIF products** used in the 2007-13 period. The CPR provides an option for a managing authority to entrust implementation tasks to the EIB (or other financial institutions) (Art.38 (4)(b)). However, the implementing act does not state any direct role for the EIB.

The EIB's website refers to the off-the-shelf option, stipulated in the CPR, noting that the EIB's experience with managing funds (for urban development and SME financing) leaves it 'perfectly positioned to assume the role of Fund Manager'.³²⁴ In its Corporate Operational Plan 2014-2016,³²⁵ the EIF mentions among its medium-term objectives one relating to maintaining cooperation with the Commission, Member States and regions and working 'on the effective deployment of financial instruments, including off-the-shelf and tailor-made products or leveraged holding funds in the context of EU Regional Policy'.³²⁶

Early indications are that the uptake of the off-the-shelf instruments has been lower than initially expected. Many MAs in the 2007-13 period have already gained considerable experience with the implementation of FIs and have established the structures needed to operate them. Now they have the necessary mechanisms in place, which provide a workable model. Therefore, the off-the-shelf instruments appear not as valuable as they would have been in 2007-13.³²⁷ Moreover, certain concerns remain over the ability of the off-the-shelf instruments to resolve procurement and State aid issues. For example,

³¹⁷ Wishlade and Michie (2015) *op. cit.*

³¹⁸ For example, uncapped guarantees and securitisation instruments to support SMEs, not foreseen by off-the-shelf instruments, are envisaged under the SME Initiative. Also, the SME Initiative and the off-the-shelf instruments may be seen complementary as the latter address the SMEs' needs at a given regional level.

³¹⁹ Commission Implementing Regulation No. 964/2014 *op. cit.*

³²⁰ Provides new loans to SMEs at preferential conditions (interest rate/collateral reduction) by providing financial intermediaries with funding contributions and credit risk-sharing. The RS loan is seen as a potentially effective way of supporting SMEs in a context of limited availability of funding or relatively little risk-appetite of the financial intermediaries for certain sectors or type of SMEs.

³²¹ Aims to 'provide an incentive to financial intermediaries to increase lending to SMEs covered by Union funded guarantees'. It seeks to address the existing gap in the debt market for SMEs supporting new loans by providing credit risk coverage up to a certain limit, allowing the financial intermediary to facilitate SMEs' access to finance.

³²² Aims to incentivise the energy-saving potential arising from the renovation of residential buildings. It offer loans at preferential conditions to natural and legal persons or independent professionals owning premises in order to invest in renewable or energy-efficient assets in undertaking building renovation projects. Lithuania's large-scale programme to improve home energy efficiency based on a combination of grants, technical assistance and loans served as an inspiration for the 'Renovation Loan'.

³²³ Commission Implementing Regulation No. 964/2014 *op. cit.*

³²⁴ For more information, see: <http://www.eib.org/products/blending/esif/eib-role-in-2014-2020/index.htm>

³²⁵ EIF (2013a) *EIF Corporate Operational Plan 2014-2016*, European Investment Bank, Luxembourg.

³²⁶ Ibid.

³²⁷ Wishlade and Michie (2015) *op. cit.*

anecdotally, it would seem that many MAs had anticipated that off-the-shelf instruments would provide more creative solutions to State aid compliance than use of the *de minimis* Regulation. Some regard *de minimis* as administratively cumbersome and it is perhaps surprising that off-the-shelf instruments did not make use of the General Block Exemption Regulation. In addition, the relative flexibility provided by the 'off-the-shelf' models may be insufficient, and it is possible that, given regional particularities, they are not likely to be applicable in all scenarios³²⁸ and may conflict with local needs, preferences and regulations of Member States.³²⁹ Hence ex-ante assessments remain an obligation in order to determine the suitability, appropriate design and financial parameters of FIs.

6.6 European Fund for Strategic Investments

In November 2014, a new Investment Plan for Europe was announced. The plan consists of three mutually reinforcing strands:³³⁰

- EUR 315 billion in additional investment over the next three years;
- targeted initiatives to make sure that this extra investment meets the needs of the real economy; and
- greater regulatory predictability and removal of barriers to investment.

The first two strands of **the Investment Plan are a joint undertaking between the Commission and the EIB**. The Commission has made EUR 16 billion available, and the EIB has provided an additional €5 billion. The funds will in principle be used to allow the EIB to invest in higher-risk projects (special activities). The EIB is a risk-averse lender and highly protective of its AAA status. This AAA rating allows the Bank to facilitate lower financing costs to its borrowers. However, some commentators³³¹ and interviewees for this study consider that the EIB should be encouraged to finance projects that have potentially higher rewards but also an increased risk profile. The EIB, on the other hand is concerned that a project portfolio with higher-risk projects could jeopardise this status. The EFSI provides a guarantee for the EIB to extend its 'special activities' portfolio. The funds that provide the guarantees are derived from re-allocated resources (CEF and Horizon 2020). The Commission expects that EUR 21 billion will leverage funding from other investors and reaching a ratio of 1:15 which, it argues, based on past experience, is a conservative estimate.

In order to mobilise EUR 315 billion at the EU level, a new European Fund for Strategic Investment³³² is to provide risk support for long-term investments. Among other goals, the plan aims to improve the effective use of ESI Funds and calls on Member States to increase the use of FIs in key investment areas such as SME support, energy efficiency, ICT, transport and R&D support. In practical terms, the Plan proposes a doubling of the use of ESI Funds under FIs thus reaching an overall amount of €30 billion committed to FIs, which is estimated to have a direct leverage effect of around €40-70 billion.

³²⁸ Núñez Ferrer *et al.* (2012) *op. cit.*

³²⁹ Michie and Wislade (2011) *op. cit.*

³³⁰ European Commission (2014i) Communication from the Commission to the European Parliament, the Council, the European Central Bank, the European Economic and Social Committee, the Committee of the Regions and the European Investment Bank, An Investment Plan for Europe, available on: <http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52014DC0903&from=EN>

³³¹ European Parliament (2013b) *op. cit.*

³³² Regulation (EU) 2015/1017 of the European Parliament and of the Council of 25 June 2015 on the European Fund for Strategic Investments, the European Investment Advisory Hub and the European Investment Project Portal and amending Regulations (EU) No. 1291/2013 and (EU) No. 1316/2013 — the European Fund for Strategic Investments.

The EFSI is intended to provide flexibility to allow for Member States' contributions, directly or via their National Promotional Banks. They can contribute either at the level of projects, financial instruments or investment platforms and increase the risk-bearing capacity (complementing the contributions by the EU budget and the EIB) of investment and provide increased access to finance for particularly SMEs and mid-cap companies.

Investment platforms,³³³ which aim to bring together co-investors, public authorities, experts, education, training and research institutions, the relevant social partners and representatives of the civil society and other relevant actors at Union, national and regional levels, are introduced at different levels:

- national or sub-national platforms that group together several investment projects on the territory of a given Member State;
- multi-country or regional platforms that group together partners from several Member States or third countries interested in projects in a given geographic area;
- thematic platforms that group together investment projects in a given sector.

Furthermore, a **European Investment Project Portal (EIPP)** has been set up to improve investors' knowledge of existing and potential future projects. The lack of credible and transparent information about projects is currently a major barrier to investment. However, the project pipeline does not guarantee that these projects will be financed by EFSI. The pipeline will be regularly updated so that investors have reliable and current information to take investment decisions. A joint Commission-EIB Investment Task Force has already identified some 2,000 potential projects worth EUR 1.3 trillion.³³⁴ The Task Force focused on projects in key growth-enhancing areas: knowledge, innovation and the digital economy; energy union; transport infrastructure; social infrastructure; and natural resources and the environment. Any project identified by the Task Force will have to be assessed thoroughly before being considered for finance. There are no automatic financing commitments by the European Commission or the EIB for projects identified by the Task Force, and these projects are not entitled to preferred access to national or European resources. The identification of projects by the Task Force is considered a first step towards creating a forward-looking and transparent pipeline of investable projects. This is regarded as an essential measure to restore confidence and encourage investors to invest and build expertise in Europe.³³⁵

The EIB is playing an important role in delivering EFSI³³⁶ and is responsible for implementing the instrument. The infrastructure and innovation window is managed by the EIB and the SME window by the EIF.³³⁷

³³³ 'Investment platforms' are special-purpose vehicles, managed accounts, contract-based co-financing or risk-sharing arrangements or arrangements established by any other means by which entities channel a financial contribution in order to finance a number of investment projects (Art. 2, 2015/1017).

³³⁴ European Commission (2015e) *Delivery of €315 billion Investment Plan on track: Commission presents law for the European Fund for Strategic Investments*, available at: http://europa.eu/rapid/press-release_IP-15-3222_en.htm.

³³⁵ European Commission (2014g) *Investment Offensive for Europe: EU Task Force identifies 2,000 potential projects worth €1.3 trillion*, available at: http://europa.eu/rapid/press-release_IP-14-2480_en.htm.

³³⁶ European Commission (2015f) *The European Fund for Strategic Investment Fact Sheet*, available at: http://europa.eu/rapid/press-release_MEMO-15-3223_en.htm.

³³⁷ Siouliou M, Field B, Kazamaki-Ottersten and Debande O (forthcoming) Preliminary Observations on the regional dimension of the Investment Plan for Europe, *European Structural and Investment Funds Journal*, paper also presented at Annual Conference on ESI Funds: Implementation, Management & Control of ESI Funds 2014-2020, 19-20 November 2015, Brussels.

With respect to governance, as a contributor to the EFSI, **the EIB has a representative on the Steering Board**. As long as the only contributors to the EFSI are the Union and the EIB, all decisions in the Steering Board will be taken by consensus. When other contributors join the Fund, the number and votes will remain proportionate to the contributions and decisions will be taken by simple majority, if no consensus can be found. No decision can be adopted if the Commission or the EIB votes against it. An Investment Committee is accountable to the Steering Board with responsibility to vet specific projects and decide which will receive EFSI support, without any geographic or sectoral quotas. The Committee consists of eight independent market experts and a Managing Director³³⁸ and a deputy Managing Director in charge of the day-to-day management of the EFSI and chair of the Investment Committee. Since the EFSI is operating with the involvement of the EIB, any project supported by the EFSI will also require approval according to the EIB's regular procedures.

Furthermore, a **European Investment Advisory Hub (EIAH)** is being set up. This Hub provides services partly on the PIU/TA model in SPLs as well as the JASPERS model in relation to large projects. The EIAH provides support to lenders that are facing implementation challenges and aims to assist them with the implementation of EFSI loans. At the moment, the EIAH has EUR 20 million funding annually, but there are questions regarding whether this is sufficient given the higher risk levels involved in EFSI projects. Table 14 sets out the key differences between the EFSI and the ESIF which, despite the Commission's emphasis on the complementary nature of the two instruments, some authors have highlighted some fundamental issues:³³⁹

- the objective of EFSI is efficiency rather than equity, the main concern is to fund the most suitable projects without primary concern for regional disparities (there are no territorial pre-allocations);
- concerns that ESIF funding will be crowded out by EFSI; and
- potential for conflict between applicable rules due to different legal frameworks.³⁴⁰

³³⁸ A former vice president of the EIB and member of the Management Committee, Wilhelm Molterer, has been appointed as the Managing Director.

³³⁹ Mendez C and Bachtler J (2015) Permanent revolution in Cohesion Policy: restarting the reform debate, European Policy Research Paper No.93, European Policies Research Centre, University of Strathclyde, Glasgow.

³⁴⁰ European Court of Auditors (2015) Opinion No. 11/2015 (pursuant to Article 287(4) of the Treaty on the Functioning of the European Union) concerning the proposal for a Regulation of the European Parliament and of the Council on the European Fund for Strategic Investments and amending Regulations (EU) No. 1291/2013 and (EU) No. 1316/2013, Luxembourg.

Table 14: Similarities and differences between the EFSI and the ESIF

	EFSI	ESIF
Objectives	<ul style="list-style-type: none"> To resolve difficulties in financing and implementing strategic, transformative and productive investments with high economic, environmental and societal added value contributing to achieving EU objectives. 	<ul style="list-style-type: none"> Strengthening economic, social and territorial cohesion, particularly reducing disparities and backwardness of less-developed regions. Contributing to Europe 2020 objectives.
Funding	<ul style="list-style-type: none"> EUR 16 billion (and EUR 5 billion from the EIB) guarantee from the EU budget) with an expected leverage of 15 times (EUR 315 billion of total investments). 	<ul style="list-style-type: none"> EUR 351.8 billion (dedicated EU budget heading).
Geographical targeting	<ul style="list-style-type: none"> No geographical targeting / pre-allocations. 	<ul style="list-style-type: none"> Concentration on less-developed countries/regions through pre-allocated envelopes.
Thematic targeting	<ul style="list-style-type: none"> No thematic pre-allocations/ring-fencing, although EUR 5 billion (out of EUR 21 billion) reserved for SMEs. Strategic infrastructure (including digital, transport and energy, education, research, development and innovation, renewable energy and resource efficiency) and support for smaller businesses and midcap companies. 	<ul style="list-style-type: none"> Ring-fencing of allocations to thematic objectives and investment priorities. 11 thematic objectives (RTDI, ICT, SMEs, low-carbon economy, climate change, environment and energy, transport, social inclusion, education, training, employment, public administration efficiency).
Financial instruments	<ul style="list-style-type: none"> Loans, guarantees, equity and venture capital. 	<ul style="list-style-type: none"> Non-reimbursable grants mainly (>75 percent). Financial instruments (guarantees, loans, equity and venture capital) to represent EUR 23 billion of funding in 2014-20.³⁴¹
Forms of assistance	<ul style="list-style-type: none"> Projects (of high-risk nature), financial instruments and/or investment platforms 	<ul style="list-style-type: none"> National and regional programmes. Major projects (> EUR 50m, funded by ERDF/CF and subject to Commission decision).
Management	<ul style="list-style-type: none"> Centralised management by EIB with Steering Board including EIB and Commission representation. Project selection by EU-level Investment Committee of experts. 	<ul style="list-style-type: none"> Shared management between Commission, Member States and regions. Programme management and project selection by national and regional managing authorities and implementing bodies.
Timeframe	<ul style="list-style-type: none"> 3 years (2015-18) with option for extension. 	<ul style="list-style-type: none"> 7 years (2014-20).

Source: adapted from Mendez C and Bachtler J (2015) Permanent revolution in Cohesion Policy: restarting the reform debate, *European Policy Research Paper* No.93, „European Policies Research Centre, University of Strathclyde, Glasgow

³⁴¹ European Commission (2014h) Effectiveness and Added Value of Cohesion Policy, Non-paper assessing the implementation of the reform in the programming for cohesion policy 2014-2020, available on: http://www.europarl.europa.eu/meetdocs/2014_2019/documents/regi/dv/implementationeffectivenesscp/_implementationeffectivenesscp_en.pdf.

The role of the EIB in EFSI means that it has an increased role in the implementation of the Community budget (although the Community budget consists only of a guarantee). This underlines **the importance of stronger accountability**, including towards the European Parliament. This has been recognised by MEPs, who have advocated measures for accountability transparency and visibility of the EFSI. As part of the legislative process, MEPs called for **a high-quality governance and selection process as well as a democratically accountable monitoring and evaluation framework**, which should be as transparent as possible in setting out the criteria to be used to determine the projects deemed suitable for inclusion in the pipeline.³⁴²

The Regulation³⁴³ foresees extensive rules that aim to ensure accountability of the EFSI to the European Parliament. Monitoring is structured around two key principles:

- **Reporting:** The EIB will report (i) semi-annually to the Commission and (ii) annually to the European Parliament and the Council on the EIB financing and investment operations under the Regulation. The report shall be made public. The Commission will also report to the European Parliament on the application of the Regulation. The reporting should include a description of the projects where the support of the European Structural and Investment Funds is combined with the support of the EFSI.³⁴⁴
- **Accountability:** The European Parliament will have the right to organise, at any time, hearings with the Managing Director of the EFSI on the performance of the latter. The Managing Director will also have a legal obligation to reply swiftly – orally or in writing – to questions addressed by the European Parliament. The European Parliament can also request reporting by the Commission.

The Court of Auditors will apply its usual rules and procedures for auditing the EU guarantee and the payments and recoveries that are attributable to the general Budget of the Union. Its existing role as regards the auditing of the activity of the EIB (detailed in a tripartite agreement between the EIB, the Court and the Commission) remains unchanged (see Section 4.1).

There are several issues concerning the objectives of EFSI that have prompted debate. First, considering that the EU budgetary commitment to EFSI derives from reallocated resources (CEF and Horizon 2020), there are questions about how much additional investment is achieved through EFSI. On the other hand, EFSI has been allowed to frontload the delivery of some of multi-annual programmes (see SME window in EFSI). Second, there are concerns based on the 2007-13 experiences with FIs in Structural Funds programmes that a 1:15 leverage effect seems unrealistic, particularly since the ECA found that FIs in Cohesion Policy had achieved a leverage of 2.75 at best (see Section 3.5.1). However, such interpretations may point to a misunderstanding; national and regional mandates such as the ones supported by Cohesion Policy are lower than central mandates and therefore difficult to compare. Lastly, from an economic theory perspective, there are questions whether a 1:15 leverage represents an appropriate and additional use of public funding. Such a large leverage effect seems to suggest that the investment would probably have happened without EU funding commitments.

³⁴² European Parliament (2015a) *op. cit.*

³⁴³ Regulation (EU) 2015/1017 *op cit.*

³⁴⁴ *Ibid.*, Article 16.2(f).

The results from the survey conducted for this study provide an initial picture of the expected impact in Member States. The expected results of EFSI vary considerably. In some Member States, the current expectation is that it will not have a major impact (Austria, Bulgaria, Germany, Hungary and Sweden). Others report that it is too early to make predictions (Belgium, Netherlands, Latvia and Poland). However, there are a number of Member States that expect significant benefits; officials in these countries cited the following.

- Increase of private sector investment (France, Finland and Poland);
- attract EFSI financing to leverage the EU Cohesion Policy funds (Lithuania);
- additional infrastructure and energy efficiency investments (Slovenia);
- opportunity to develop large scale and more ambitious projects either directly or indirectly affecting ESIF programmes (UK, Poland and Portugal) but also potential difficulties in terms of losing control over project (UK); and
- use of EFSI to mitigate the risk absorption of financial instruments to be created under the 2014-20 Operational Programme (Lithuania).

6.7 Strategic coherence, thematic concentration and result orientation

The 2014-20 Cohesion Policy framework is characterised by several key principles. Elements such as strategic coherence, result orientation and thematic concentration aim to increase the results of Cohesion Policy funding in the 2014-20 period. These changes have affected all Cohesion Policy stakeholders including the EIB. Table 15 provides a summary of the ways in which strategic coherence, result orientation and thematic concentration have a potential impact on EIB activities in Cohesion Policy.

Strategic coherence is a central element of the 2013 reform of Cohesion Policy for the 2014-20 period. The aim is to ensure a more coordinated, coherent and integrated approach to programming and implementation of the ESI Funds through a stronger alignment with EU objectives and governance processes, harmonisation of approaches across policy areas with binding provisions in the CPR for all the ESI Funds, and a Common Strategic Framework (CSF) with greater scope for synergies across the Funds and with other EU financing instruments.³⁴⁵

Partnership Agreements are a main feature of strategic coherence. By contrast, the National Strategic Reference Framework in the 2007-13 period placed less emphasis on multi-Fund coordination. Article 27(5)(b) of the General Regulation specified only that Member States were required to provide, where relevant, 'information on the mechanisms for ensuring coordination between operational programmes... and the EAFRD, the EFF and the interventions of the EIB and of other existing financial instruments'. The EIB can also be part of the partnership in the drafting of OPs. The EIB may also be part of the partnership by being consulted on the OPs. Article 31 of the CPR provides the provisions for EIB, at the request of the Member State to participate in the preparation of Partnership Agreement as well as in activities relating to the preparation of operations, in particular major projects, financial instruments and Private Public Partnerships (PPP). The Commission may also consult the EIB prior to the adoption of Partnership Agreements or Operational Programmes. The extent to which the EIB participated in Partnership Agreement discussions and drafting of OPs is not yet known.

³⁴⁵ European Parliament (2015c) Strategic coherence of Cohesion Policy: comparison of the 2007-13 and 2014-20 programming periods, study for European Parliament's Committee on Regional Development.

The result-orientation is set to reverse the input-driven programming logic to focus on desired change and how best to achieve it.³⁴⁶ Appraisal and selection procedures are a main feature of this approach. The CPR states that 'as regards the selection of operations, the managing authority shall draw up and, once approved, apply appropriate selection procedures and criteria that ensure the contribution of operations to the achievement of the specific objectives and results of the relevant priority'.³⁴⁷ This is particularly important for improving 'evaluability' of activities, some of which have been encountered in chapter 3 of this study.

Increasing the use of FIs is an integral part of this approach. For example, Commissioner Corina Crețu regards FIs as 'a promising tool for the future of regional policy' and strongly encourage[s] Member States to double their use of financial instruments during the 2014-2020 budgetary period'.³⁴⁸ As stated in Section 3.2.1, the European Parliament also 'recognises the leverage effect of new financial instruments and their potential to mobilise investment, supports increased financing from credit in general', and has called for 'the use of revolving financial instruments to be extended to those areas eligible for funding which prove to be appropriate'.³⁴⁹ In a recent Opinion on the EIB Annual Report 2014, the REGI Committee called 'on the Commission and the Member States to make full use of the possibilities afforded by Regulation (EU) No. 1303/2013 to increase the use of the financial instruments, where appropriate, for the period up to 2020 and calls on the EIB to further promote its instruments and the beneficiaries' good practices, in order to enhance their attractiveness'.³⁵⁰

However, the results-orientation and the associated performance framework also imply a different way of measuring results. The specific ex-ante assessment requirement for FIs contained in the CPR Regulation is a clear indication of the relevance given to performance assessment in 2014-20. Furthermore, the OP ex-ante evaluation has to include a rationale for the form of support proposed, and MAs can decide to carry out FI-specific evaluations.

MAs have to report on the operations comprising FIs (as an annex to the annual implementation report), and for each FI on its achievement of the indicators of the priority or measure concerned. As a consequence, the EIB has to adapt its performance measurement framework for FIs, particularly those concerned with assessing additionality and wider programme and portfolio benefits.³⁵¹ The EIB intends to dovetail the measurement effort into the wider OP evaluations but has also developed its own methodologies for assessing performance of FIs.

³⁴⁶ Mendez C, Kah S and Bachtler J (2012) The Promise and Perils of the Performance Turn in EU Cohesion Policy, *IQ-Net Thematic Paper* No. 31(2), European Policies Research Centre, University of Strathclyde, Glasgow, http://www.eprc.strath.ac.uk/iqnet/downloads/IQNet_Reports%28Public%29/Thematic%20Paper_31%282%29.pdf

³⁴⁷ Regulations (EU) No. 1303/2013 *op. cit.*, Art. 125, 3(a)(i).

³⁴⁸ Crețu C (2015b) *Financial instruments are a promising tool for the future of Regional Policy*, Blog post European Commission, available at: https://ec.europa.eu/commission/2014-2019/cretu/blog/financial-instruments-are-promising-tool-future-regional-policy_en

³⁴⁹ European Parliament (2011a) *op cit.*

³⁵⁰ European Parliament (2015a) Opinion of the Committee on Regional Development for the Committee on Budgetary Control on the European Investment Bank (EIB) – Annual Report 2014 (2015/2127(INI)), European Parliament, Brussels.

³⁵¹ European Commission and EIB (2013) *Methodologies for Assessing Social and Economic Performance in JESSICA*, available at: http://www.eib.org/attachments/documents/jessica_assessing_socio_economic_performance_en.pdf

Part of the rationale is to present urban development investments (i.e. JESSICA type operations) as 'impact investments',³⁵² aiming to deliver acceptable financial returns but also a range of measurable non-financial impacts. These benefits may include:³⁵³

- **increasing co-investment opportunities** – presenting urban development operations as impact investments with measurable socio-economic outcomes may attract other investors (private and public) with the same interest in bringing about durable impacts on sustainable urban development, such as investors with strong attachment to particular places or with ethical considerations; and
- **improving performance measurement practices** – MAs and UDF managers in urban development FIs can learn from best practices in the 'impact investment industry' – and vice-versa.

The Cohesion Policy framework could therefore be beneficial within the context of the development of a urban development socio-economic measurement framework.

Another defining characteristic of Cohesion Policy in the 2014-20 period is greater **thematic concentration** on Europe 2020 objectives, building on the realignment of Cohesion Policy with the Lisbon agenda in the 2007-13 period. There is a significant increase in ERDF/Cohesion Fund allocations to Thematic Objectives 1-4 (RTDI, ICT, SME Competitiveness and Low-Carbon Economy), while infrastructure investment is less prominent compared to 2007-13.³⁵⁴

In 2014-20 period, FIs can be used for all thematic objectives. At the same time, thematic concentration means that the focus of Operational Programmes is narrower with potentially a more limited range of projects eligible for funding. For FIs, this means that there are potentially fewer final recipients.

Table 15: Key horizontal features of the 2014-20 Cohesion Policy framework and their impact for the EIB

	Role of the EIB	Effectiveness of EIB activities	Accountability, transparency and visibility of EIB activities
Strategic coherence	- Increased role for the EIB in Partnership Agreement process ³⁵⁵	- Possibility to identify complementarities and synergies at an early stage	- Increased involvement in coordination mechanism at national level which improves the Bank's visibility
Result orientation	- Greater use of FIs - FIs subject to ex-ante assessments	- clearer rules enable better combination of FIs with other forms of support - Increase co-investment opportunities	- Improve measurement practices to improve reporting of results
Thematic concentration	- FIs can be used for all thematic objectives	- Potentially Less flexibility which projects can be funded due to more focussed programmes	

Source: EPRC Research

³⁵² Impact investments refers to investment made into activities with the intention to generate a measurable, beneficial social or environmental impact alongside a financial return.

³⁵³ European Commission and EIB (2013) *op. cit.*

³⁵⁴ European Parliament (2015c) *op. cit.*

³⁵⁵ See Common Provisions Regulations, article 31

7 CONCLUSIONS AND RECOMMENDATIONS

The objective of this study is to provide a comprehensive analysis and assessment of how the EIB contributes to the achievement of Cohesion Policy objectives. While the review encompasses all of the EIB's main roles, the focus is particularly on FIs which have become increasingly important for the implementation of Cohesion Policy. The analysis has focused on five key elements: the role of EIB in the implementation of Cohesion Policy; the effectiveness and efficiency of EIB activities in Cohesion Policy; accountability, transparency and visibility of EIB activities; relationships between EU institutions and the EIB; and future expectations. This final section draws together the conclusions and recommendations.

7.1 Conclusions

7.1.1 Role of the EIB

The role of **the EIB in Cohesion Policy expanded rapidly during the 2007-13 programme period**. It now undertakes activities and delivers products and services that are intended to provide both financial and non-financial added value in support of EU policy objectives. In some cases, these roles were anticipated, whereas in others they evolved in response to new policy priorities and demands.

The original remit of the EIB in relation to Cohesion Policy was to **provide finance for economic development projects**. It continues to fulfil this role by providing direct loans, framework loans, intermediated loans and global loans. The EIB's lending to support social and economic cohesion objectives of the EU amounted to EUR 147 billion in 2007-13. Furthermore, through its Structural Programme Loans (SPLs) facility, the EIB makes available investment programmes made up of projects from one or more OPs.

Furthermore, the EIB's role in **mandate management** means that it has taken an important step in terms of assuming indirect responsibility over the implementation of Cohesion Policy budget. However, under the shared management model final responsibility for implementation of Cohesion Policy lies with the Member State and the Commission.

Over time, the EIB's role has expanded to include a wide range of **analytical and advisory services as well as capacity-building activities**. Of particular importance in the 2007-13 period was the EIB and EIF's roles in the development and implementation of 'Special Support Instruments'. JESSICA (Joint European Support for Sustainable Investment in City Areas) – a TA initiative to help managing authorities set up investment funds supporting sustainable urban development. The JEREMIE (Joint European Resources for Micro to Medium Enterprises) initiative offered EU Member States TA assistance, through their national or regional managing authorities, the opportunity to explore possibilities of using part of their EU Structural Funds to finance small and medium-sized enterprises by means of equity, loans or guarantees. The EIB and EIF were involved by:

- advising and assisting national, regional and local authorities in implementing JESSICA and JEREMIE initiatives; and
- promoting the use of FIs and best practice across Europe.

JASPERS (Joint Assistance to Support Projects in European Regions) was a joint initiative by the Commission (DG REGIO), EIB and EBRD³⁵⁶ to assist beneficiary countries (principally the new Member States and acceding countries of the EU) to absorb EU Structural and Cohesion

³⁵⁶ Between July 2008 and December 2013, KfW Bankengruppe was also a partner of JASPERS.

Funds over the 2007-13 period. JASMINE (Joint Action to Support Microfinance Institutions) was an EU initiative managed by EIF in the 2007-13 period to help non-bank microfinance institutions to scale up their operations and maximise the impact of microfinance products on microenterprises' development and unemployment reduction within the European Union. In both the JASPERS and JASMINE initiatives, the EIB and EIF provided advisory and analytical services. Furthermore, the EIB and EIF could act as holding fund manager of financial instruments for enterprises and urban development when requested by Member States or managing authorities. This role meant that the EIB and EIF have increased their responsibilities in terms of implementing Cohesion Policy funds.

Additionally, outside the formal Cohesion Policy framework, the EIB provides a wider range of services and products to achieve Europe 2020 goals (COSME, INNOVFIN and Connecting Europe Facility). These instruments are complementary and contribute to Cohesion Policy objectives.

7.1.2 Effectiveness and efficiency

The EIB activities are generally regarded as making **a significant contribution to Cohesion Policy objectives and have a high level of added value and complementarity**. Member States generally consider the activities of the EIB to be effective in terms of absorption, generating relevant projects and results. Member States identified access to finance, analytical support and technical know-how as key areas in which the EIB contributed to Cohesion Policy implementation. Complex rules and regulations, high management fees and high costs of HF management were considered to be the main challenges when engaging with the EIB.

As the EIB's role in Cohesion Policy increases, there is a need for more insight into the effectiveness of its different activities. Evaluations of JEREMIE and JESSICA provide evidence of the positive contribution of EIB and EIF **advisory and analytical services and their related operations to build capacity for implementing Cohesion Policy, but the services have been fragmented across the EIB and EIF. The introduction of a more centralised advisory service in the form of fi-compass is therefore welcomed**. The EIB's (b)lending activities are often assessed and reported as part of its overall lending portfolio. However, **its specific contribution to - and relation with - Cohesion Policy programmes and projects are unclear**. Its role in **mandate management means that the EIB has indirect responsibility (through managing authorities) for the implementation of Cohesion Policy instruments**, but this is still a relatively new role for the EIB and the currently available data only provide only limited insights into the comparative performance of HFs managed by the EIB relative to those managed by other institutions.

The increased role of the EIB also presents considerable challenges in terms of the monitoring and control of its operations. As the EIB workload increases, questions have been raised on whether it should adopt **a more programme-based approach rather than a project-based approach in terms of monitoring its lending activities**. To an extent, such a shift has already taken place, and the EIB has adapted to the new circumstances. For example, its Structural Programme Lending provides framework loans that can cover a whole programme period. A further integration of this programme approach for other activities would bring EIB investments more into line with the implementation of Cohesion Policy.

Cohesion Policy has become the EU's main investment policy, increasingly focused on the EU's overall economic objectives. **The EIB is a natural partner in supporting these goals**. However, the EIB can be characterised as a risk-averse organisation. Its AAA rating

is the foundation of its investment strategy. There have been concerns that the EIB is too risk-averse and that necessary investments to improve the sluggish European economic growth rate are not being supported. The EFSI and the EUR 8 billion guarantee provided by the Community budget are an attempt to increase investment in higher-risk projects.

7.1.3 Accountability, transparency and visibility

The dual role of the EIB (public institution and investment bank) can lead to ambiguity in terms of its accountability, transparency and visibility. However, over the past five years **major efforts have been made to improve its accountability framework and transparency policy**, particularly by providing more information. Innovations such as dedicated sub-reports on themes such as SMEs or external affairs are regarded as an important improvement in terms of European Parliament's ability to scrutinise the EIB's activities.

The overall conclusion from the research for this study is that **most Member States regard EIB activities as accountable, transparent and visible**. However, in a few Member States, EIB involvement was not rated positively. Many of the issues noted by respondents related to gaps or uncertainties in the legal framework for implementing FIs and the lack of guidance – which are not solely due to the EIB.

In 2007-13, there were major drawbacks in reporting and monitoring the performance of FIs. As **the EIB has a major role in terms of providing advisory/analytical and mandate management services for FIs, it has a significant role to play in terms of improving the situation**. The CPR lays down new and more detailed requirements for monitoring FIs. However, the first reporting round will not occur until 2016. Although the framework for reporting has been strengthened, it remains to be seen whether the quality of data that is returned will improve and whether issues around data availability and reliability are resolved.

The EIB's role has increased most in the area of FIs and associated advisory services. However, in financial terms this still only represents a small proportion of its activities when compared with its overall (b)lending activities in Cohesion Policy. Curiously, despite this being the longest-standing involvement of the EIB in Cohesion Policy, it is probably **least well understood in terms of its overall contribution to the Policy** with relatively little information available. Some information is included in annual reports but is limited to the Bank's contributions to its economic convergence objectives. It does not provide a clear picture of the EIB's different instruments where they are used or the extent to which they contribute and are complementary to Cohesion Policy funding.

The dual role of the EIB in providing advisory and also mandate management services can be perceived as a conflict of interest. The Bank carries out the ex-ante assessment or evaluation whilst at the same time it is a prospective HF manager. The Bank has taken a number of steps to mitigate this risk, most significantly by centralising all advisory services in one unit, *fi-compass*. Nevertheless, there are still **questions about a potential conflict of interests**.

7.1.4 Inter-institutional relationships

Over the 2007-13 programme period, a process of learning has taken place at the institutional level. **The introduction of FIs and the associated increased role of the EIB represent a paradigm shift in the implementation of Cohesion Policy**. Although FIs still represent a relatively small part of the overall Cohesion Policy budget, there is strong support for increasing their use. The 2007-13 period represented a steep learning

curve on the part of the EIB and the Commission. **The two institutions have different cultures which sometimes complement each other but have also been the cause of friction.** Particularly through the introduction of FIs, EIB activities have become more dependent on Cohesion Policy regulation, which in 2007-13 were regarded as a significant constraint. Understanding the policy and legal context and reallocating resources to its advisory and mandate management services required considerable effort on the part of the EIB.

For the Commission (DG REGIO), the shift from an implementation culture based on grants to financial instruments has also been challenging. Understandably, there has been a **reliance on the technical expertise and know-how of the EIB.** However, this has meant that the implications of decisions and the possibilities of implementation have not always been fully understood. The Commission has had to adjust to this context at a time of considerable budget and resource constraints.

The increased role of the EIB in Cohesion Policy has implications for the role of the European Parliament and, in particular, the REGI Committee in terms of scrutinising the Bank's activities. There is widespread recognition that the EIB makes a significant contribution to Europe's Growth Agenda in general and Cohesion Policy specifically, but the full implications of increased EIB involvement are not understood in detail. Partly, this is because the European Parliament Committees (other than BUDG/CONT) have a relatively limited understanding of EIB activities and in particular financial instruments. This means that there is an understanding of the general importance and impact of EIB activities, but further expertise, knowledge and routine in dealing with and processing EIB information needs to be built up in the political groups, policy committees and the administration.

7.1.5 The EIB in 2014-20 and beyond

The role of the EIB in Cohesion Policy is set to increase in the 2014-20 programme period. Many lessons have been learned, and the CPR provides a more robust framework for financial instruments in which the EIB and EIF are playing a major role. Furthermore, given the continued budgetary constraints that many Member States face, the EIB financial products and services will be important in achieving Cohesion Policy objectives.

Post 2020 the **engagement of the EIB is critically dependent on two factors.** The first is **Member State experience with FIs** and particularly the degree to which they are implemented on time in the 2014-20 period and whether they can demonstrate the claimed efficiency and effectiveness benefits relative to grant instruments (such as legacy funding). Second, **the introduction of the EFSI, although not directly linked to the Cohesion Policy budget, has important implications for Cohesion Policy and the involvement of the EIB,** given the responsibilities of the EIB in the delivery of EFSI. Ensuring a sufficient pipeline of projects that is complementary and synergistic with ESIF programmes and that optimise the potential leverage of programmes is realised, is crucial. Both will determine the degree to which the upward trajectory of spending in FIs can be maintained. **EFSI and Cohesion Policy have complementarities, but there are also considerable tensions with the aims and objectives of Cohesion Policy.** Looking forward, if the EFSI is deemed to be a success in the 2017 review of the fund, it might be institutionalised as a permanent policy and compete with the ESIF for resources in future budget negotiations.³⁵⁷

³⁵⁷ Mendez and Bachtler (2015) *op. cit.*

7.2 Recommendations

The EIB's increased role in Cohesion Policy, particularly through the greater profile and use of financial instruments, has significant implications for the performance and results of Cohesion Policy. The EIB's activities have financial and non-financial added value, as detailed in this study. EIB lending is a contributor to economic development expenditure in the Member States and a key component in the viability of many projects. The EIB has played a critical role in supporting the design, launch and operation of FIs, with funds management, advisory and capacity-building services to MAs and the Commission. The Bank provided similar support services for the JESSICA, JEREMIE, JASPERS and JASMINE initiatives. The EIB continues providing extended services for financial instruments under fi-compass (replacing JESSICA, JEREMIE and JASMINE) and for major projects under Jaspers. Ex-ante assessments have become a requirement for FIs which can be carried out by the EIB or EIF. The problem in assessing the effectiveness and efficiency of these activities – from a Cohesion Policy perspective – is that the evidence base is so weak. **There has been little evaluation of the role and contribution of the EIB's activities in Cohesion Policy,** and in the regional development policies and strategies of Member States more broadly. For example, the scale of EIB lending to projects that are also funded through Cohesion Policy is unknown. There is also limited academic research on the role of the EIB compared to other EU institutions, notably the Commission and the Parliament, in Cohesion Policy. Of particular concern is that the effectiveness of financial instruments relies heavily on their potential rather than measurable results.

The research for this study indicates a high level of satisfaction with the EIB among Member States. **The overall assessment is that the Bank is effective across most areas of activity,** and it appears to be doing well in supporting the objectives of Cohesion Policy. However, there are clearly some specific areas of concern. Also, the (at times) difficult relationship between the EIB and the Commission is indicative of some fundamental differences in culture and – importantly – differences in the priority accorded to commercial versus public policy objectives, although both institutions have made efforts to bridge the gap.

The challenge is to ensure that the largely positive assessment can be substantiated by systematic evaluation – and monitored on an on-going basis to ensure that where problems exist they are being addressed. This would meet some Member States' concerns about the transparency and visibility of the EIB's activities and the need for a more open system for holding the EIB to account. This should not necessarily be problematic: the EIB has taken important steps to develop a more robust accountability framework in recent years and has been responsive to scrutiny by the European Parliament.

The main recommendation of this report, therefore, is that **the European Parliament needs to support the development of more accountability on the role of the EIB in Cohesion Policy.** This echoes European Parliament REGI committee opinion 2015/2127, which 'calls for more information within the context of EIB annual reporting on the results and contribution of EIB activities to Cohesion Policy objectives'.³⁵⁸ This study proposes a number of steps at different levels.

First, **the REGI Committee needs to undertake more active and systematic scrutiny of the EIB's activities.** This would involve providing an opinion on the Bank's annual report. In order for the REGI Committee to become effectively engaged in this process, it should explore the possibility of a chapter or Annex in the EIB's annual report which

³⁵⁸ European Parliament (2015a) *op. cit.*

specifically reports on those elements that contribute to the delivery of Cohesion Policy objectives. This would include:

- the EIB's involvement in FIs (either as advisors or as mandate management);
- its role as a financial provider (i.e. (b)lending), which would include FI co-financing, Structural Programme Lending, financing of projects that include Cohesion Policy co-financing; and
- its wider role as advisor and provider of analytical services and capacity-building activities.

Such a contribution to the EIB's annual report would significantly improve the visibility of EIB activities in Cohesion Policy at the European Parliament level.

Second, in addition to more systematic reporting, there needs to be **ongoing dialogue between the European Parliament and EIB**. In order to increase understanding of the EIB's contribution to Cohesion Policy and promote learning between institutions, there has to be more frequent communication. This supports the REGI Committee opinion 'for strengthened dialogue and constant exchange of information between the EIB and the Parliament, via regular meetings with regard to EIB activities which have an impact on economic, social and territorial cohesion in the EU'.³⁵⁹

Based on the interview research for this study, there are several ways in which the relationships between the EIB and the European Parliament (as well as the Commission) can be strengthened by:

1. at the political level, **visits by the REGI Committee to the EIB** similar to those to the European Central Bank (ECB);
2. regular **invitations to the EIB to present the results** of their activities in the context of Cohesion Policy to the REGI Committee;
3. organisation of **seminars and workshops at the administrative level** to promote knowledge exchange, improve the visibility of EIB activities and ensure active institutional engagement;
4. more **detailed studies** focussing on specific themes or issues
5. **recruitment of personnel** from other EU institutions/bodies that possess relevant know-how; and
6. draw up **own-initiative reports** that target or include reflections on the role of the EIB in Cohesion Policy.

The different roles the EIB assumes in Cohesion Policy should be clarified and documented. Potential conflict of interest between the EIB mandate management responsibility and its advisory services should be highlighted and mitigating actions and safeguards stipulated.

The role of the EIB as (b)lender should become more visible (i.e. its lending to Cohesion-Policy-funded projects, Structural Programme Lending, and co-financing of financial instruments). This would **identify shared strategic interests** and provide a potential basis for more complementarities. It would require a reporting mechanism that allows the EIB to record finance activities that also involve Cohesion Policy funding.

³⁵⁹ Ibid.

Lastly, **there is a need for further research and debate over the remainder of the 2014-20 programme period to improve accountability, visibility and transparency of the EIB and its activities.** While this study has provided a comprehensive assessment of the role of the EIB in Cohesion Policy, it is limited by its broad remit and the information available or accessible. Specifically, there are several areas where further investigation and debate are required to enhance the understanding of the contribution of the EIB's role in Cohesion Policy. One of these are the knowledge gaps concerns **the role of the EIB in relation to each stage of the Cohesion Policy Programme implementation cycle:** programming; project generation, appraisal and selection; monitoring and evaluation. Another is the **limited understanding of the contribution of the EIB (b)lending activities to Cohesion Policy.** Future work could usefully analyse in detail the co-financing provided by the EIB for projects that are also funded by Cohesion Policy funds from the Community budget. These include: framework loans (e.g. Structural Programme Lending), global loans, direct loans, intermediate loans and also co-financing provided by the EIB for financial instruments. Finally, **EFSI can be expected to represent a step change in terms of the role that the EIB assumes in relation to Cohesion Policy.** It has increased responsibilities in terms of the implementation of the Community budget. On the one hand, there are considerable complementarities between EFSI and ESIF; on the other hand, there is potential for competition. Further research can identify how synergies can be exploited and competition avoided.

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ANNEX 1: LIST OF INTERVIEW QUESTIONS

1. Role of EIB in implementation

- How have the different roles (i.e. advisory, lending, management or capacity-building) that the EIB Group has in terms of implementing Cohesion Policy evolved?
- What has been the level of co-financing provided by the EIB Group to Structural Funds programmes in Member States?
- What is the role of Structural Programme Lending in Cohesion Policy?
- What are the advantages of EIB Group involvement in Cohesion Policy?
- What are the challenges of EIB Group involvement in Cohesion Policy?

2. Effectiveness

- How does the EIB Group contribute to cohesion and regional development in Europe?
- To what extent do EIB Group activities contribute to the objectives of Cohesion Policy?
- How can the effectiveness of EIB Group activities in Cohesion Policy best be measured?
- What gaps in evidence of the effectiveness of EIB Group activities in Cohesion Policy exist? What can be done to address these gaps?
- Do you consider FIs effective instruments to implement Cohesion Policy objectives? In what sense?
- To what extent are decisions for funding by the EIB Group based on profitability and/or Structural Fund programme objectives? Is there a trade-off between the two?
- Have FIs in the Cohesion Policy 2007-13 period lived up to the expectations?
- How can effectiveness of FIs be improved? What are the main barriers?

3. Accountability, transparency and visibility

- How is reporting and decision-making on instruments involving EIB Group organised? What monitoring, reporting and auditing systems are in place?
- How can the processes of a financial institution be aligned with those of Cohesion Policy, which is governed by specific regulations? Are monitoring, evaluation, reporting and auditing activities different and in what way from such activities that apply to grants under Cohesion Policy?
- How are horizontal principles (sustainable development, equal opportunity, etc.) of Cohesion Policy considered in EIB Group activities?
- What information is provided to beneficiaries with regard to explaining the expectations of EIB Group activities (particularly FIs) in Cohesion Policy?
- How can the transparency of the process be best ensured?

4. Relationships between EU institutions

- What are the current institutional, budgetary and procedural arrangements of EIB Group involvement in Cohesion Policy?
- What are the strengths and weaknesses of current inter-institutional interactions between EIB, EC and EP?

- What lessons can be learned in relation to information exchange in the 2007-13 period?
- What are the communication/interaction gaps, and are there requirements for additional communication/reporting interfaces?
- What are the options for deepening and strengthening institutional relationships?
- How can processes involving financial instruments be best aligned with Cohesion Policy objectives?
- What are the monitoring and reporting requirements in each institution?
- What are the gaps in information provision in the monitoring process of the EIB Group's contribution to Cohesion Policy?

5. Future expectations

- What are the implications of the changes in the legislative framework for 2014-20 for EIB Group role(s) in Cohesion Policy?
- What is the likely uptake of measures involving the EIB Group in 2014-20?
- What are the implications of result orientation, performance framework, thematic concentration and strategic coherence for EIB Group activities and specifically FIs in the 2014-20 period?
- What synergies are there with other policy initiatives involving the EIB, for example Investment Plan for Europe and EFSI?

ANNEX 2: SURVEY QUESTIONS

Review of the role of the European Investment Bank Group in European Cohesion Policy

The following survey is being conducted by the European Policies Research Centre (University of Strathclyde, Glasgow) as part of a study for the Committee on Regional Development of the European Parliament.

The role of the European Investment Bank Group (EIB Group) – comprising the EIB and EIF – in Cohesion Policy has increased dramatically in recent years. This reflects the increased emphasis on financial instruments (FI) and also the wider EIB Group involvement in policy delivery, notably the European Fund for Strategic Investment. The EIB Group is involved in the implementation of Cohesion Policy in four main roles:

- advisory – involvement at early stage feasibility study or gap analysis;
- lending – investing EIB Group loans in an FI that also includes Cohesion Policy funding;
- management – managing a Holding Fund or Specific Fund (e.g. JESSICA and JEREMIE); and
- capacity-building – organising technical assistance platforms that provide a forum for managing authorities to engage in knowledge-exchange activities (for example through JASPERS).

The aim of the study is to provide the European Parliament with a comprehensive analysis and assessment of how the EIB contributes to the achievement of Cohesion Policy objectives. The focus of the study is broken down into four themes:

- the effectiveness of EIB Group activities in Cohesion Policy;
- the accountability, transparency and visibility of EIB Group activities in Cohesion Policy;
- the governance of EIB Group activities in Cohesion Policy; and
- the future role of EIB Group activities in Cohesion Policy.

Your views on these issues would be invaluable and we would be grateful if you could complete this short survey. No individuals or organisations will be identified; results will only refer to differences between Member States.

*All research undertaken by the European Policies Research Centre complies with the University of Strathclyde's Code of Practice on Investigations on Human Beings. This Code is designed to ensure that all research undertaken by University staff and students is carried out in an ethical manner. For further details please see: http://www.eprc.strath.ac.uk/eprc/Documents/PDF_files/Ethics_Information_for_interviewees.pdf

Which Member State do you represent?

The following questions relate to the role of EIB/EIF in Cohesion Policy programmes in your Member State.

What role did the EIB/EIF have in the 2007-2013 Cohesion Policy programme(s) implementation in your Member State in the period? (Please provide a short description of the EIB/EIFs role for each of the relevant categories)

- ☐ EIB/EIF provided analytical and/or advisory services (e.g. gap analysis, evaluation, on-going advice) (1) _____
- ☐ EIF provided co-financing for a financial instrument(s) for enterprises (Art. 44a) (2) _____
- ☐ EIB provided co-financing for a financial instrument(s) for urban development (Art. 44b) (3) _____
- ☐ EIB provided co-financing for a financial instrument(s) for renewable energy (Art. 44c) (4) _____
- ☐ EIF was holding fund manager for an enterprise fund (Art. 44a) (5) _____
- ☐ EIB was holding fund manager for an urban development fund (Art. 44b) (6) _____
- ☐ EIB was holding fund manager for an renewable energy fund (Art. 44c) (7) _____
- ☐ EIB/EIF provided co-financing for an individual project(s) (please specify theme - e.g. transport, infrastructure, energy, etc.) (8) _____
- ☐ EIB/EIF provided capacity-building activities (JASPERS or other activities) (9) _____
- ☐ Other (please specify) (10) _____
- ☐ The EIB/EIF has had no role in the implementation of Cohesion Policy programmes (11) _____
- ☐ Don't know (12)

On a scale from 1 to 5 (1 being very negative and 5 being very positive), what is your overall assessment of each the roles that the EIB/EIF had in Cohesion Policy programmes in your Member State in 2007-2013?

- _____ As an advisor (1)
- _____ As a lender (2)
- _____ As a fund manager (3)
- _____ As a provider of capacity-building support (4)
- _____ Other (5)

Does the EIB/EIF play any other role in regional development outside the European Cohesion Policy framework in your Member State? (If yes, please briefly specify the nature of this role)

- ☐ Yes (1) _____
- ☐ No (2)
- ☐ Don't know (3)

The following questions relate to the accountability, transparency and visibility of EIB Group activities in Cohesion Policy

How transparent are the products/activities of the EIB/EIF? (i.e. openness in providing reports, data and other information on their activities and performance)

- ☐ Very transparent - The EIB/EIF is completely open about the performance of their activities/products (please explain) (1) _____
- ☐ Transparent - In most instances the EIB/EIF is open about the performance of their activities/products (please explain) (2) _____
- ☐ Not very transparent - Only in some instances is the EIB/EIF open about the performance of their activities/products (please explain) (3) _____
- ☐ Not at all transparent - The EIB/EIF is not open about the performance of their activities/products (please explain) (4) _____

How accountable are EIB/EIF in terms of delivering their activities and products (i.e. to what extent do EIB/EIF engage with other EU institutions and Member States in accounting for their activities and performance)?

- ☐ Very accountable - EIB/EIF always engage with other EU institutions and Member States in accounting for their activities and products (please explain) (1) _____
- ☐ Accountable - In most instances the EIB/EIF engage with other EU institutions and Member States in accounting for their activities and products (please explain) (2) _____
- ☐ Not very accountable - Only in some instances does the EIB/EIF engage with other EU institutions and Member States in accounting for their activities and products (please explain) (3) _____
- ☐ Not at all accountable - The EIB/EIF does not engage with other EU institutions and Member States in accounting for their activities and products (please explain) (4) _____

How visible are the activities and products of the EIB/EIF (i.e. the levels of awareness and knowledge about EIB/EIF activities/products)?

- ☐ Very visible - There is a high level of awareness and knowledge about EIB/EIF activities and products (please explain) (1) _____
- ☐ Visible - There is a reasonable level of awareness and knowledge about EIB/EIF activities and products (please explain) (2) _____
- ☐ Not very visible - There is a low level of awareness and knowledge about EIB/EIF activities and products (please explain) (3) _____
- ☐ Not at all visible - There is no awareness and knowledge about EIB/EIF activities and products (please explain) (4) _____

The following questions focus on the effectiveness of EIB/EIF activities and products in Cohesion Policy programmes in your Member State in the 2007-13 programme period

On a scale from 1 to 5, how effective do you rate EIB/EIF activities and products in your Member State (1 being not effective, 5 being very effective)?

- _____ Financial absorption (1)
- _____ Generating relevant projects (2)
- _____ Achieving results (3)

What are the top three benefits of EIB/EIF involvement in Cohesion Policy programmes in your Member State? (please mark 1, 2 and 3 in boxes)

- _____ Provide access to co-financing (1)
- _____ Increase the impact of EU programmes (2)
- _____ Provide management expertise (3)
- _____ Analytical support (evaluations, gap analysis) (4)
- _____ Increase the quality of projects (5)
- _____ Improve access to a wider spectrum of financial tools (6)
- _____ Help to increase private sector involvement and expertise (7)
- _____ Provide technical know-how (8)
- _____ Other (9)
- _____ Other (10)
- _____ Other (11)

What are the three most important challenges in terms of EIB/EIF involvement in Cohesion Policy programmes in your Member State?

- _____ Limited understanding of Programme(s) objectives (1)
- _____ High management fees (2)
- _____ Insufficient understanding of conditions/challenges in your Member State (3)
- _____ Limited control over funding decisions (4)
- _____ High costs of implementation (5)
- _____ Complex rules and regulations (6)
- _____ Other (7)
- _____ Other (8)
- _____ Other (9)

How can effectiveness of EIB/EIF activities/products in Cohesion Policy in your Member State be improved? What are the main barriers to improving effectiveness?

The following questions involve the expected role of the EIB/EIF in Cohesion Policy in the 2014-20 programme period.

How do you think the role of the EIB/EIF in Cohesion Policy programmes will evolve in your Member State over 2014-20 period?

- ☐ Much greater (please explain) (1) _____
- ☐ Somewhat greater (please explain) (2) _____
- ☐ About the same (please explain) (3) _____
- ☐ Somewhat less (please explain) (4) _____
- ☐ Much less (please explain) (5) _____

What impact will the European Fund for Strategic Investment (Juncker Plan) have on ESIF Programme(s) in your Member State?

Thank you for completing the survey. The results of the survey will be reported following strict rules of anonymity. If you are happy to be contacted by the research team about the study or would like to receive the final report, please leave your name, position and email address below.

Do you have any further comments?

Name

Position

Email address

May the EPRC contact you for any additional information?

- ☐ Yes (1)
- ☐ No (2)

ANNEX 3: JEREMIE GAP ANALYSES AND JESSICA EVALUATION STUDIES

JEREMIE Gap Analyses

Member State/Region	Member State or region	Year	Notes	Recommendation	In favour? Yes/No	Has a JEREMIE FI been implemented?	If yes, which?	If yes, when?	EIF involvement	Notes
Member State	BG	2007	These recommendations relate to the use of JEREMIE in Bulgaria in 2014-20, not in 2007-13 (unlike most of the other reports)	EIF believes that there are substantial benefits for Bulgaria in the implementation of the JEREMIE Programme, which could be defined as financial contribution of around EUR 250 m from the Operational Programme Competitiveness for the next planning period' (p.38)	Yes	Yes	JEREMIE Holding Fund (JHF) Bulgaria	2010	Yes - EIF is the Holding Fund manager. See: http://jeremie.bg/about-jeremie-bulgaria-2/	Funded from the OP Competitiveness ; Priority Axis 3 'Financial Resources for Developing Enterprises'
Member State	CY	2007	-	...an initial portfolio of specialised instruments amounting to a range of EUR 45-63 m is recommended to be set up through the means of the European Regional Development Fund (ERDF)' (p.1)	Yes	Yes	JEREMIE Cyprus trust	2009	Yes - organised through the European Investment Fund (EIF) acting through the JEREMIE Trust (JT)	-
Member State	CZ	2007	-	...revolving instruments are proposed to be set up in the context of EU Structural Funds 2007-2013 via a JEREMIE Holding Fund structure' (p.3)	Yes	No	-	-	-	-
Region	DE (Brandenburg)	2007	The report notes that 'EIF can support Brandenburg in closing these gaps with its expertise in the field of innovative SME financing' (p.3)	EIF proposes for the programming period 2007-2013 (2015) a JEREMIE Holding Fund of EUR 93 m for Brandenburg, consisting of revolving SME debt and equity financial instruments to enhance access to finance' (p.5)	Yes	No	-	-	-	-
Member State	DK	2006 (approved 2008)	-	As a result of this initial analysis, the European Investment Fund is of the belief that there is substantial benefit to be gained by Denmark from the implementation of a JEREMIE programme' (p.38)	Yes	No	-	-	-	-
Member State	EE	2007	-	-	Yes	No	-	-	-	-
Member State	EL	2007	-	A portfolio of financial instruments is proposed in the framework of the JEREMIE programme: micro financing, guarantees, securitisation programme, seed fund, business angels,	Yes	Yes	entrepreneurship fund (TEPIX) (Athens); JEREMIE Holding Fund, Greece	2010 and 2007 respectively	Yes - EIF is the Holding Fund manager of the JER001 HF. However the National Entrepreneurship and Development Fund manages the	The JER001 HF has 12 specific funds under it.

Member State/Region	Member State or region	Year	Notes	Recommendation	In favour? Yes/No	Has a JEREMIE FI been implemented?	If yes, which?	If yes, when?	EIF involvement	Notes
				intellectual property fund					ENTREPRENEURSHIP FUND.	
Member State	ES	no date	Specific regional recommendations are provided in the individual regional reports (see below)	It is therefore recommended to create a nationwide Holding Fund with an initial amount of EUR 300 m, which could be progressively increased to expand on-going initiatives, in case they are well absorbed by the market and to allow for pan-regional initiatives' (p.4)	Yes	No	There are JEREMIE funds in: Andalucía, Barcelona, Canarias, Extremadura, IDEA.	Various, see below	Various, see below	-
Region	ES (Andalucia)	no date	-	...EIF recommends the creation of a JEREMIE Holding Fund for the progressive implementation of financial instruments...' (p.5)	Yes	Yes	JEREMIE Andalucia (Holding Fund)	2009	Not as manager. IDEA is the Holding Fund manager.	Includes JEREMIE-IDEA (specific fund) amongst others.
Region	ES (Asturias)	2007	-	...Based on the situation outlined above and on the analysis of supply and demand for SME funding, EIF would recommend to establish a JEREMIE Holding Fund of EUR 20 m for the 2007-2013 programming period' (p.4)	Yes	No	-	-	-	-
Region	ES (Canarias)	2007	-	...EIF would recommend to establish a JEREMIE Holding Fund of EUR 40-50 m...' (p.5)	Yes	Yes	JEREMIE Canarias (specific fund)	2012	Not as manager. The fund manager is SODECAN.	-
Region	ES (Cantabria)	2007	-	Based on the situation outlined above and on the analysis of supply and demand for SME funding, EIF would recommend to establish a JEREMIE Holding Fund of EUR 20 to 30 m for the 2007-2013 programming period' (p.4)	Yes	No	-	-	-	-
Region	ES (Castilla y Leon)	2007	-	Based on the situation outlined above and on the analysis of supply and demand for SME funding, EIF would recommend to establish a JEREMIE Holding Fund of EUR 45 to 60 m...' (p.4)	Yes	No	-	-	-	-

Member State/Region	Member State or region	Year	Notes	Recommendation	In favour? Yes/No	Has a JEREMIE FI been implemented?	If yes, which?	If yes, when?	EIF involvement	Notes
Region	ES (Cataluña)	2007	A recommendation was not explicitly articulated, because the Generalitat de Catalunya had already decided to allocate EUR 50m to a HF for JEREMIE. Instead, the report formulated implementation recommendations. NB: the 2007-13 ERDF OP code for Catalonia is 2007ES162PO006		n/a	Yes	JEREMIE Barcelona (specific fund)	2008	Not as manager. The fund manager is: Instruments Financers per a Empreses Innovadores, IFEM, SLU. Barcelona.	
Region	ES (Extremadura)	2007	-	... in order to shift towards a more market driven approach and to provide SMEs with an integrated finance chain, EIF would recommend to establish a JEREMIE Holding Fund of EUR 20-30 m for the 2007- 2013 programming period' (p.4)	Yes	Yes	JEREMIE Extremadura	2013	Yes - EIF is the Holding Fund manager	-
Region	ES (Galicia)	2007	-	EIF would recommend to establish a JEREMIE Holding Fund of EUR 70 to 90 m that could be set up with a minimum size of EUR 30 to 40 m' (p.4)	Yes	No	-	-	-	-
Region	ES (Valencia)	2007	-	EIF would recommend to establish a JEREMIE Holding Fund of EUR 20-30 m...' (p.4)	Yes	No	-	-	-	-
Region	FR (Auvergne)	2007	-	The report... identifies the most relevant focus for the JEREMIE holding fund taking into account the available supply of finance and the existing and potential demand to be covered' (p.4)	Yes	Yes	FCPR JEREMIE Auvergne	2009	Not as manager. SOFIMAC Partners is the Holding Fund manager.	This HF has 16 specific funds under it.
Region	FR (Basse-Normandie)	2007	Exec. Summary 'Summary' section notes 'The EIF has begun to engage an active dialogue with all the stakeholders, in order to ensure that the JEREMIE program will provide an important added value to Basse-Normandie's regional economy'	The report... identifies the most relevant focus for the JEREMIE holding fund' (p.4)	Yes	No	-	-	-	-

Member State/Region	Member State or region	Year	Notes	Recommendation	In favour? Yes/No	Has a JEREMIE FI been implemented?	If yes, which?	If yes, when?	EIF involvement	Notes
Region	FR (Centre)	2008	-	The report... identifies the most relevant directions for the JEREMIE program taking into account the available supply of finance and the existing and potential demand to be covered' (p.4)	Yes	No	-	-	-	-
Region	FR (Champagne-Ardenne)	2008	-	The report... identifies the most relevant directions for the JEREMIE program taking into account the available supply of finance and the existing and potential demand to be covered' (p.4)	Yes	No	-	-	-	-
Region	FR (Corse)	2007	-	The EIF has begun to engage an active dialogue with all the stakeholders, in order to ensure that the JEREMIE program will provide an important added value to Corsica's regional economy...' (p.4)	Yes	No	-	-	-	-
Region	FR (Guadeloupe)	2007	-	The report... identifies the most relevant focus for the JEREMIE holding fund taking into account the available supply of finance and the existing and potential demand to be covered' (p.2)	Yes	No	-	-	-	-
Region	FR (Guyane)	2007	-	The report... identifies the most relevant focus for the JEREMIE holding fund taking into account the available supply of finance and the existing and potential demand to be covered' (p.4)	Yes	No	-	-	-	-
Region	FR (Ile-de-France)	2008	-	The report... identifies the most relevant focus for the JEREMIE holding fund taking into account the available supply of finance and the existing and potential demand to be covered... The recommended size of the JEREMIE Holding Fund in Ile-de-France should range between EUR 22m to 41.5m.' (p.4)	Yes	No	-	-	-	-
Region	FR (Languedoc-Roussillon)	2007	-	The report... identifies the most relevant focus for the JEREMIE holding fund taking into account the available supply of finance and the existing and potential demand to be covered' (p.4)	Yes	Yes	JEREMIE Languedoc-Roussillon/France	2008	Yes - EIF is the HF manager. It is also the manager of the specific fund.	-

Member State/Region	Member State or region	Year	Notes	Recommendation	In favour? Yes/No	Has a JEREMIE FI been implemented?	If yes, which?	If yes, when?	EIF involvement	Notes
Region	FR (Lorraine)	2007	-	The report... identifies the most relevant focus for the JEREMIE program taking into account the available supply of finance and the existing and potential demand to be covered' (p.4)	Yes	No	-	-	-	-
Region	FR (Provence-Alpes-Côte d'Azur)	2008	-	The report... identifies the most relevant focus for the JEREMIE program taking into account the available supply of finance and the existing and potential demand to be covered' (p.4)	Yes	Yes	JEREMIE PACA	2012	Yes - EIF is the specific fund manager.	-
Member State	HU	2007	-	Based on these findings JEREMIE recommends to concentrate public support to SMEs in a form of holding fund with the total allocation up to EUR 720m' (p.4)	Yes	Yes	venture finance Hungary plc	2007	Not as manager. Venture Finance Hungary Plc is the HF manager.	Hungary has some 174 specific funds in total.
Member State	IT	2007	The proposal for a JEREMIE intervention focuses in the co-investment in regional guarantees funds	...the potentially positive role of JEREMIE is envisaged to address the market insufficiencies impacting on the risk capital market, microfinance and guarantees' (p.4)	Yes	no (all regional)	JEREMIE Sicilia fse, JEREMIE FSE, Istituto Presso Finlombarda s.p.a. ; Funded Risk Sharing financial instrument per la regione Calabria (HF); JEREMIE Campania (HF) ; Fondo Regionale di Capitale di Rischio a compartecipazione pubblico/privata denominato ingenium ii; ASSE i - Fondo di Partecipazione if Sviluppo Lazio SPA. JEREMIE - Milano (HF); Fondo Unico Anticrisi, Campobasso ; Partecipazioni Minoritarie e Temporanee al Capitale di Rischio di Imprese Innovative ; Sistema delle Garanzie per Investimenti nell'Innovazione e per l'imprenditorialità"	Various	Yes. EIF is the HF manager for JER - 050 JEREMIE SICILIA FSE LUXEMBOURG and JEREMIE Campania.	All HFs are regional. JEREMIE Campania has two specific funds under its Holding Fund, both managed by the EIF. JEREMIE FESR - MILANO has one specific fund (not managed by the EIF).

Member State/Region	Member State or region	Year	Notes	Recommendation	In favour? Yes/No	Has a JEREMIE FI been implemented?	If yes, which?	If yes, when?	EIF involvement	Notes
Region	IT (Marche)	2007	Report is subject to a 'positive decision by the Marche Regional Authorities on the implementation of the JEREMIE initiative in cooperation with the EIF' (p.3)	The recommendations are based on the possibility of creating a Holding Fund for Regione Marche by means of Structural Funds, mainly ERDF' (p.3)	Yes	No	-	-	-	-
Region	IT (Piemonte)	2007	-	The recommendations are based on the possibility of creating a Holding Fund for Regione Piemonte by means of Structural Funds, mainly ERDF' (p.3)	Yes	No	-	-	-	-
Member State	LT	2007	This report proposed a series of FIs whilst not explicitly identifying them as JEREMIE instruments, though their delivery through JEREMIE is strongly inferred.	The present Report has identified the following financial instruments that could be implemented in the period 2007-2013: guarantee scheme for micro and start-up companies', etc.	Yes	Yes	Entrepreneurship promotions fund, Vilnius; invega fund, Vilnius; JEREMIE Holding Fund, Lithuania	2008	Yes. EIF is the HF manager.	There are 5 specific funds under this Holding Fund. None are managed by the EIF/EIB.
Member State	LV	2007	Report refers to the awaited delivery of a 'positive decision by the government on the implementation of the JEREMIE initiative in cooperation with the EIF' (p.40)	'... proposals are made for generic financial engineering instruments that comply with the JEREMIE philosophy' (p.18) including: guarantee scheme for micro and start-up companies; social micro finance pilot scheme, etc.; social micro finance pilot scheme; securitisation pilot programme', etc. (p.3)	Yes	Yes	JEREMIE Holding Fund Latvia	2008	Not as manager. The HF manager is the Latvian Guarantee Agency Ltd.	There are 8 specific funds under this Holding Fund. None are managed by the EIF/EIB.
Member State	MT	Updated 2008	-	'... there is a latent demand for further guarantees in order to allow the firms access to higher levels of credit. This constitutes the cornerstone upon which, in the present report, the proposal for a JEREMIE intervention in Malta has been envisaged' (p.27)	Yes	Yes	JEREMIE Holding Fund Malta	2010	Yes. The EIF is the HF manager.	There is 1 specific fund under this HF. However, it is managed by Bank of Valletta PLC, Malta.

Member State/Region	Member State or region	Year	Notes	Recommendation	In favour? Yes/No	Has a JEREMIE FI been implemented?	If yes, which?	If yes, when?	EIF involvement	Notes
Member State	PL	2006	-	...JEREMIE recommends to concentrate public support to SMEs in a form of holding fund with the total allocation up to EUR 1,160m' (p.3)	Yes	Yes - one or more of the HFs are national	Dolnośląski Fundusz powierniczy; Bank Gospodarstwa Krajowego (bgk), warszawa; Bank Gospodarstwa Krajowego, Warszawa; Fundusz Powierniczy JEREMIE Województwa Pomorskiego, Warsaw; Kujawsko-Pomorski Fundusz Pożyczkowy SP. Z O.O.; Toruń; National Capital Fund, Warsaw. also see Łódzkie, Wielkopolska and Zachodniopomorskie below for details	2012, 2009, 2012, 2009, 2010, 2009, 2009	Not as manager. The manager of the Dolnośląski Fundusz powierniczy HF is Bank Gospodarstwa Krajowego, Warszawa.	Bank Gospodarstwa Krajowego, Warszawa is under the national Operational Programme: Human Capital.
Region	PL (Eastern Regions)	2008	-	...the implementation of a JEREMIE Holding Fund support scheme is recommended in order both to boost the competitiveness of the SME sector and to support and modernise the EPR financial sector' (p.6)	Yes	No	-	-	-	-
Region	PL (Łódzkie)	2008	-	...implementation of a JEREMIE Holding Fund support scheme is recommended in order to foster the competitiveness of the SME sector' (p.5)	Yes	Yes	JEREMIE Holding Fund for Łódzkie region, Łódź	2009	Not as manager. The HF manager is Bank Gospodarstwa Krajowego based in Warsaw, Poland.	-
Region	PL (Pomorskie)	2008	-	...implementation of a JEREMIE Holding Fund support scheme is recommended in order to foster the competitiveness of the SME sector' (p.5)	Yes	Yes	-	-	Not as manager. The HF manager is Bank Gospodarstwa Krajowego based in Warsaw, Poland.	-
Region	PL (Wielkopolska)	2008	-	...implementation of a JEREMIE Holding Fund support scheme is recommended in order to foster the competitiveness of the SME sector' (p.5)	Yes	Yes	JEREMIE Holding Fund for Wielkopolska region	2009	Not as manager. The HF manager is Bank Gospodarstwa Krajowego, Polska, Warszawa.	-
Region	PL (Zachodniopomorskie)	2008	-	...implementation of a JEREMIE Holding Fund support scheme is recommended in order to foster the competitiveness of the SME sector' (p.5)	Yes	Yes	Zachodniopomorski Fundusz Powierniczy JEREMIE (holding fund)	2009	Not as manager. The HF manager is Bank Gospodarstwa Krajowego (BGK).	-

Member State/Region	Member State or region	Year	Notes	Recommendation	In favour? Yes/No	Has a JEREMIE FI been implemented?	If yes, which?	If yes, when?	EIF involvement	Notes
Member State	PT	2007	-	'...proposals are made for generic financial engineering instruments that comply with the JEREMIE philosophy' (p.23)	Yes	No	-	-	-	-
Member State	RO	2007	-	'We believe that [a] portfolio of financial instruments for supporting SME access to finance could be successfully deployed in Romania through the JEREMIE mechanism...' (p.4)	Yes	Yes	JEREMIE Romania Holding Fund	(unknown)	Yes - EIF is the HF manager.	There are 3 specific funds under this Holding Fund. None are managed by the EIF/EIF.
Member State	SE	2007	-	'The analysis indicates that disparate market imperfections or failures can be addressed by utilising the new JEREMIE framework...' (p.4)	Yes	No	-	-	-	-
Member State	SI	2008	-	'...revolving instruments are proposed to be set up in the context of EU Structural Funds 2007-2013 via a JEREMIE Holding Fund structure' (p.3)	Yes	Yes	Programme of financial engineering instruments (PIFI) within Slovene Enterprise Fund (SEF), Maribor	2009	Not as manager. The HF manager is the Slovene Enterprise Fund, Ulica Kneza Koclja 22, 2000 Maribor, Slovenia.	Decided to go with an alternative - Slovene Ent. Fund.
Member State	SK	2007	-	'...the following revolving instruments are proposed to be set up in 2007-2013 in the JEREMIE framework: Micro Loan Guarantee Scheme; Social Micro Loan Scheme', etc. (p.3)	Yes	Yes	JEREMIE Holding Fund Slovakia through sSovensky Zarucny a Rozvojovy Fond, S.R.O., Bratislava	2009	Yes - EIF is the HF manager.	There are 3 specific funds under this Holding Fund. None are managed by the EIF/EIF.
Region	UK (England)	2007	-	'The analysis indicates that disparate market imperfections or failures can be partly addressed by utilising the new JEREMIE framework and the construction of a portfolio of financial instrument interventions combined to create a revolving structure' (p.3)	Yes	Yes	Finance Yorkshire (HF); North East Finance (HF) ; The North West Fund (HF)	(unknown)	No. The HF managers are Finance Yorkshire Limited, North East Finance and North West Business Finance Limited respectively.	-
Region	UK (Wales)	2007	-	'The analysis indicates that disparate market imperfections or failures can be partly addressed by utilising the new JEREMIE framework and the construction of a portfolio of financial instrument interventions combined to create a revolving structure...' (p.4)	Yes	Yes	JEREMIE Cardiff (specific fund, for the east Wales ERDF RCE programme); JEREMIE Cardiff (specific fund, for the west Wales and the valleys ERDF RCE programme)	(unknown)	Not as manager. The manager of the 2 specific funds, and also the HF above them, is Finance Wales Investments Ltd.	-

Source: EPRC research

Jessica Evaluations

Member State/R	Member State	Year	Notes	Needs identified	Shortcomings or disadvantages identified?	In favour? Strongly/Yes/No	Has a JESSICA FI been implemented?	If yes, which?	If yes, when?	EIB involvement
Region	BE (Flanders)	2009	-	Several investment opportunities identified, most re. urban renewal policies.	-	Yes	No	-	-	-
Region	BE (Wallonia)	2009	There is therefore in Wallonia a potentially fertile ground for implementing an integrated urban policy which could be supported by an instrument like JESSICA.'	A lot of actors could be involved and invest in large scale of projects which could be supported by UDF.	Modest capacity of institutions to invest themselves in a UDF because lack of necessary cash flow.	Yes	No	-	-	-
Region	BE (Brussels)	2010		A clear need for a holistic tool that can take an initiative on physical realisation. Already some projects are mature enough to be implemented.		Yes	No	-	-	-
Member State	BG	2009	The summary findings of our work... suggest that there is a role for the JESSICA instrument to play in Bulgaria's economic development financing.'	-	-	Yes	Yes	'Fund for Sustainable Urban Development of Sofia' EAD, Sofia; Regional Urban Development Fund AD, Sofia.	2010+	Yes. The EIB is the Fund manager for the JESSICA HF (umbrella HF for these two instruments).
Member State	CY	2009	-	Cyprus can benefit from JESSICA support in addressing various issues faced today such as regeneration of deprived areas and enhancement of public infrastructure.'	-	Yes	No	-	-	-
Region	CZ (Moravia-Silesia)	2009	There is a HF but there are no specific funds detailed under it, which is strange. As of 2013, no investments had been made by this HF.	Recommendation was that 'Urban development funds should be established at the beginning of 2011.'	-	Yes	Yes	JESSICA Holding Fund Moravia-Silesia, Luxembourg'.	2010	Yes - the EIB is the Fund Manager.

Member State/R	Member State	Year	Notes	Needs identified	Shortcomings or disadvantages identified?	In favour? Strongly/Yes/No	Has a JESSICA FI been implemented?	If yes, which?	If yes, when?	EIB involvement
Region	CZ (South-East Cohesion Region)	2010	-	The Study concludes that there is sufficient demand for project funding through the JESSICA instrument.'	Further work is required to advance project preparation and to include 'Jessicable' projects... Especially the 'start-up' period can take some time.	Yes	No	-	-	-
Region	CZ (North-East Cohesion Region)	2010	The decision on JESSICA implementation should be made as soon as possible...'	The following areas of support were identified as potentially suitable for the utilisation of the JESSICA instrument in the context of the NUTS 2 ROP NE: Development of Regional Centres, Development of Cities, Development of Basic Infrastructure and Supporting Activities in the Field of Tourism and Support for Development of Entrepreneurial Infrastructure.	-	Yes	No	-	-	-
Region	CZ (Central Moravia Cohesion Region)	2011	-	The above indicators justify the implementation of the JESSICA mechanism in the region...'	-	Yes	No	-	-	-
Region	FI (Western Finland)	2009	Since the evaluation, no JESSICA instrument has been introduced in Finland but an Art. 44a equity-based fund (Finnvera plc, Helsinki) has been set up.	Need for new types of financing for urban development and several projects which could potentially benefit from JESSICA funding. Most of these projects are aimed at developing new business facilities.	-	Yes	No	-	-	-

Member State/R	Member State	Year	Notes	Needs identified	Shortcomings or disadvantages identified?	In favour? Strongly/Yes/No	Has a JESSICA FI been implemented?	If yes, which?	If yes, when?	EIB involvement
Region	DE (Hamburg)	2009	Since the evaluation, no JESSICA instrument has been introduced in Hamburg but an Art. 44a fund (Innovationsstarter Fonds Hamburg) was set up in 2011.	It has become clear that the use of JESSICA instruments for sustainable urban development in Hamburg is sensible' (p.10)	Legal uncertainties... relate... to... calculation and settlement of the management costs, the consequences of the investment of ERDF funds from several priority axes in the urban development fund and the structural separation of financing streams for eligible and non-eligible costs.	Yes	No	-	-	-
Region	DE (Berlin)	2010	As well as the Art.44b FI in Potsdam there are multiple Art. 44a instruments in Berlin.	By setting up an urban development fund, the Land of Berlin expects to be better able to meet the major urban development challenges' (p.7)	-	Yes	Yes	SEF Stadtentwicklungsfonds, Potsdam.	2009	Not specified. The Fund Manager is Investitionsbank des Landes.
Region	DE (NRW)	2010	Since the evaluation, no JESSICA instrument has been introduced in NRW. There are three Art. 44a funds in Dusseldorf, one of which was set up in 2012 (i.e. after the EIB evaluation).	...the long-term establishment of an NRW urban development fund therefore offers the opportunity to compensate for declining budget appropriations in the forthcoming programming period.'	Setting up a fund becomes more expensive and more complicated specifically in the JESSICA context... because all the political decision-makers, administrative authorities, and... financial institutions do not yet have any experience.	Yes	No	-	-	-
Region	DE (Saarland)	2010	-	it makes sense to set up a CDF for the Saarland to promote an integrated community development' (p.11)	-	Yes	No	-	-	-

Member State/R	Member State	Year	Notes	Needs identified	Shortcomings or disadvantages identified?	In favour? Strongly/Yes/No	Has a JESSICA FI been implemented?	If yes, which?	If yes, when?	EIB involvement
Member State	EL	2008	Greece set up a JESSICA HF in 2010 and has 5 separate UDFs.	The outcome of the study has identified the existence of significant opportunities in this specific area'	-	Yes	Yes	UDF Crete; UDF Attica, Western Greece Ionian Islands; UDF Central Macedonia & Thessaly; UDF Eastern Macedonia & Thrace, North Aegean, Western Macedonia & Epirus; UDF Peloponnese & mainland Greece.	2012 (USF Peloponnese and mainland Greece only), 2011 – Attica, W. Greece Ionian Islands, OPESD Crete.	Y. Yes – the EIB is the Fund Manager.
Member State	HU	2011	Hungary has many Art.44a FIs and a few Art.44c FIs but no Art.44b FIs.	Introducing JESSICA financial engineering instruments in Hungary presents an opportunity to add to the range of funds available for sustainable urban development' (p.9)	Experience with FIs in Hungary is limited and especially municipalities are more familiar with grant funding requirements.	Yes	No	-	-	-
Member State	IE	2013	-	The implementation of a financial instrument in Ireland could provide significant advantages and a valuable source of finance to take forward projects related to strategically important themes..' (p.37)	It is clear that the Project Types assessed for Ireland, appear to need some order of assistance in order to be realised (i.e. private sector market will need encouragement to invest)...' p.37)	Yes	No	-	-	-
Region	IT (Campania)	2010	-	The analysis performed during this study highlighted a high compatibility for the application of JESSICA instruments to revenue generating projects.	-	Yes	Yes	JESSICA Campania and, under this two UDFs.	2011	Yes – the EIB is the Fund Manager.
Region	IT (Marche, Emilia-Romagna, Lazio, Veneto)	2014	-	Veneto: The FI could finance medium/large urban development projects, overcoming some critical issues.	Emilia-Romagna: The limited amount of resources that will be available for the 2014-2020 ERDF ROP ER, likely to be less than 400.00 Meuro, might be a constraint for the implementation of FI.	Mixed -different assessments for each of the four regions	No	-	-	-

Member State/R	Member State	Year	Notes	Needs identified	Shortcomings or disadvantages identified?	In favour? Strongly/Yes/No	Has a JESSICA FI been implemented?	If yes, which?	If yes, when?	EIB involvement
Region	IT (Puglia)	2010	-	The preparatory study carried out has shown that JESSICA-type financial instruments could be widely applied in the context of Apulia.	-	Yes	No	-	-	-
Region	IT (Sicily)	2010	Sicily already had a JESSICA FI by the time this study was done, so this eval. was not an ex-ante.	-	-	n/a	Yes	JESSICA Sicily with two UDFs under this.	2009	Yes - the EIB is the Fund Manager.
Region	IT (Sardinia)	2011	Following the evaluation, Sardinia's JESSICA HF was set up in 2011 and its 2 JESSICA specific funds in 2012.	Based on the information analysed, JESSICA instruments were considered applicable in the context of the Sardinia Region.	-	Yes	Yes	JESSICA HF Sardegna 2007- 2013 Cagliari and under this, two JESSICA specific funds.	2011 (HF only) and 2012 (specific funds.	Yes - the EIB is the HF manager.
Region	IT (Liguria)	2009	-	Encourages pooling of resources of local action - makes possible to take advantage of financial resources which otherwise would have been difficult to find.	-	Yes	No	-	-	-
Member State	LT	2009	Seven different Art.44b FIs were set up in Lithuania between 2010 and 2013.	There is a significant market gap in providing financing for urban development projects - large potential for JESSICA.	-	Yes	Yes	JESSICA Kontroluojantysis Fondas (JESSICA HF Lithuania) + seven specific Art.44b funds under it.	HF established 2009.	Yes - the EIB is the Fund Manager of the HF. However the specific funds are managed by various banks.
Member State	LV	2012	-	-	...one of the key risks is in respect of the repayment capability of individual residents in the buildings' (p.99)	Yes	No	-	-	-
Member State	LU	2010	-	There is a clear role for JESSICA in Luxembourg for a part of a country-wide development fund. JESSICA would stimulate PPP regeneration investments across the country.	-	Yes	No	-	-	-

Member State/R	Member State	Year	Notes	Needs identified	Shortcomings or disadvantages identified?	In favour? Strongly/Yes/No	Has a JESSICA FI been implemented?	If yes, which?	If yes, when?	EIB involvement
Member State	NL	2010	Since the evaluation, NL set up a HF (in 2012). This HF covers one Art.44a FI and also one Art.44b JESSICA specific fund.	Is JESSICA of added value to the Netherlands? The answer is yes' (p.7)	-	Yes	Yes	JESSICA Fonds Ruimte en Economie Den Haag (FRED).	HF established 2012. Date of JESSICA FI establishment not specified.	No reference to the EIB is made. The JESSICA Fund Manager is Stichting Stimuleringsfonds Volkshuisvesting Nederlandse Gemeenten Rechtsvorm: Stichting Vestigingsplaats: Hoevelaken.
Region	PL (Mazovia)	2011	-	Projects having demand for JESSICA funds were revitalisation, energy efficiency and renewable energy as well as cluster initiatives.	-	Yes	Yes	JESSICA HF Mazovia	-	Yes the EIB is the HF Manager.
Region	PL (Pomerania)	2010	-	The value of the potential demand for JESSICA considerably exceeds the value of resources allocated to be used in the form of JESSICA...' (p.7)	-	Yes	Yes	JESSICA HF Pomerania	-	Yes – the EIB is the HF Manager.
Region	PL (Silesia)	(undated)	The report recommends that 'Entrusting the HF establishment to the EIB is the best solution' (p.173)	-	High debt and debt service ratios of local government entities.	Yes	Yes	JESSICA HF Silesia	-	Yes – the EIB is the HF Manager.
Region	PL (South Poland)	2009		It is recommended that one Urban Development Fund should be established in the initial period of JESSICA operation in Poland.	In the long-term perspective, the establishment of a holding fund may lead to reducing the competitiveness of JESSICA products because of the need to bear additional costs of managing this fund.	Yes	No	-	-	-

Member State/R	Member State	Year	Notes	Needs identified	Shortcomings or disadvantages identified?	In favour? Strongly/Yes/No	Has a JESSICA FI been implemented?	If yes, which?	If yes, when?	EIB involvement
Region	PL (West Poland)	2009	NB: the only Art.44b FIs in Poland are in Wrocław (West Poland) and Warsaw. The EIB is the HF Manager for the latter. However there are many Art.44a FIs across Poland.	It is recommended that one Urban Development Fund should be established in the initial period of JESSICA operation in Poland.	In the long-term perspective, the establishment of a holding fund may lead to reducing the competitiveness of JESSICA products because of the need to bear additional costs of managing this fund.	Yes	Yes	Fundusz Powierniczy JESSICA (HF); Bank Zachodni WBK SA, Wrocław (specific fund) .	HF established 2009. Specific fund established 2011.	Yes - EIB is the HF Manager. However, Bank Zachodni WBK SA, Wrocław, is the Fund Manager for the Art.44b specific fund.
Member State	PT	2009		JESSICA will... be suitable for Structural Funds deployment' (p.4)	The Portuguese legal framework does not pose major obstacles as to the implementation of JESSICA in Portugal. Special attention has to be paid, however, to compliance with State aid limitations, as well as to public procurement impositions and banking law restrictions.	Yes	Yes	BPI JESSICA Loans; Caixa Geral de Depósitos, SA, JESSICA Loans and Equity; Turismo de Portugal, JESSICA Loans.	-	Yes – the EIB is the HF Manager. The EIB also provides co-financing at Financial Intermediary level
Region	RO (Brasov)	2010	Evaluation recommended EIB assistance in setting up a Holding Fund.	National banks have appetite for JESSICA through fund manager roles - a pilot JESSICA would be the most suitable option to try this	-	Yes	No	-	-	-
Member State	SK	2010	No JESSICA has been set up since the evaluation, but a State Housing Development Fund (FI) was set up in 2013 (not managed by the EIB).	There is a quantifiable market gap in both the demand and the supply sides in financing urban development including housing... 'considerable potential for a JESSICA-type financial engineering mechanism' (p.5)	Private investors' contribution to JESSICA is difficult to forecast, mostly because most private banks already offer funds for housing refurbishment.	Yes	No	-	-	-

Member State/R	Member State	Year	Notes	Needs identified	Shortcomings or disadvantages identified?	In favour? Strongly/Yes/No	Has a JESSICA FI been implemented?	If yes, which?	If yes, when?	EIB involvement
Member State	SI	(undated)	-	The implementation of JESSICA FIs would provide long-term sustainable and strategically directed financial support which would benefit the Slovene economy at large' (p.10)	-	Yes	No	-	-	-
Region	ES (Andalucia)	2009	-	JESSICA is the ideal tool to meet this need as it would enable investments to be cofinanced by means of public-private collaborations' (p.3)	-	Yes	Yes	There are two JESSICA HF covering this region: FONDO DE CARTERA JESSICA-Andalucía and the multiregion HF: "Fondo de Cartera JESSICA FIDAE- Fondo de Inversion en Diversificación y Ahorro de Energía" -fondo de inversión en diversificación y ahorro de energía and Fondo de Cartera JESSICA FIDAE- Fondo de Inversión en Diversificación y Ahorro de Energía.	2011	Yes - the EIB is the HF Manager for both HF. There are three JESSICA FIDAE FIs (managed by Santander, BBVA and Ahorro Corporación) and one in JESSICA ANDALUCIA (AC JESSICA Andalucía managed by Ahorro Corporación, see page. 44)
Region	ES (Galicia)	2010	-	Galicia... would be a very favourable territory for use of the JESSICA tool' (p.109)	Galicia has no widespread experience in the development of business lines by means of public-private partnership.	Yes	Yes	There is one JESSICA HF covering this region: the multiregion HF: "Fondo de Cartera JESSICA FIDAE - Fondp de Inversion en Diversificación y Ahorro de Energía"	2011	Yes - the EIB is HF Manager. There are three JESSICA FIDAE FIs (managed by Santander, BBVA and Ahorro Corporación, see page. 44).
Region	ES (Castilla-La Mancha)	2011	NB: evaluation was carried out after work to design a JESSICA initiative had commenced in July 2010. The evaluation notes the proposed HF manager: 'the EIB... could contribute its experience as an entity specialising in the structuring and finance of infrastructure' (p.48).	n/a	-	n/a	Yes	There is one JESSICA HF covering this region: the multiregion HF: "Fondo de Cartera JESSICA FIDAE - Fondp de Inversion en Diversificación y Ahorro de Energía"	2011	Yes - the EIB is HF Manager. There are three JESSICA FIDAE FIs (managed by Santander, BBVA and Ahorro Corporación, see page. 44)

Member State/R	Member State	Year	Notes	Needs identified	Shortcomings or disadvantages identified?	In favour? Strongly/Yes/No	Has a JESSICA FI been implemented?	If yes, which?	If yes, when?	EIB involvement
Region	ES (Cataluña)	2013	-	The conclusions from the in-depth policy analysis indicate considerable opportunities for Catalonia to deploy FIs to support a range of strategic objectives...' (p.5)	-	Yes	No	-	-	-
Member State	SE	2009	-	A number of potential JESSICA projects were identified that were able to generate cashflow.	Additional work is needed to develop projects into credible investment opportunities. Most are not showing high returns so there is need for public sector investment.	Yes	No	-	-	-
Region	UK (London)	2008	-	JESSICA is a strategically important delivery mechanism... London requires JESSICA support to make this step change' (p.3)	There are imperfect market conditions that make these intervention projects prohibitively risky investments for the private sector' (p.3)	Yes	Yes	London Green Fund (HF).	HF established 2009. Specific fund established 2011.	Yes - the EIB is the HF Manager, but it is not the Fund Manager for the specific fund (this is managed by Amber Infrastructure Ltd, London).
Region	UK (Wales)	2008	-	... it is essential that new methods are explored that enable social and economic goals to be addressed... JESSICA offers this opportunity' (p.6)	-	Yes	No	-	-	-
Region	UK (North West)	2009	-	A number of scenarios (i.e. actual projects) have been explored in urban centres throughout the North West which have shown that JESSICA has the potential to unlock regeneration schemes' (p.4)	-	Yes	Yes	' for the NW ROP; specific fund 'Chrysalis limited Partnership'; specific fund Northwest Evergreen LLP.	HF established 2009. Specific fund established 2012 and 2011 respectively.	Yes - the EIB is the HF Manager, but it is not the Fund Manager for either of the Specific Funds.
Region	UK (North East)	2010	Potential benefits: flexible mechanism, access to expertise, integrated and holistic approach in regeneration.	The study concludes that from the work undertaken to date the implementation of a JESSICA fund in the North East	-	Yes	No	-	-	-

Member State/R	Member State	Year	Notes	Needs identified	Shortcomings or disadvantages identified?	In favour? Strongly/Yes/No	Has a JESSICA FI been implemented?	If yes, which?	If yes, when?	EIB involvement
				would provide considerable advantages to the region' (p.17)						

Source: EPRC Research

Methodological note:

To identify established JESSICA and JEREMIE-type funds, all instruments with a Holding Fund structure under Article 44 (1)(a) and Article 44 (1)(b) of the implementing regulations were identified through keyword searches of the two sources detailed above. Where necessary, this was supplemented with web searches. In this way the methodology captured funds that are not necessarily identified as JESSICA or JEREMIE by name, but which adhere to the Holding Fund structure under the respective Article 44 sections and fall under the label of 'JESSICA- or JEREMIE-type' funds.

Once identified, the spatial scale of each evaluation and fund was recorded in order to provide a better appraisal of whether or not EIB/EIF recommendations were subsequently put in place (without implying direct causality, which cannot be established on the basis of this methodology alone). Finally, Tables 1 and 2 were compiled based on this information. Note that the final column in each table does not reflect the total number of JESSICA/JEREMIE FIs in each respective Member State or region. Rather, it reflects only those in which a minimum of one JESSICA or JEREMIE has been implemented and is managed by the EIB/EIF.

ANNEX 4: EIB AND NON-EIB HOLDING FUNDS

EIB Holding Fund Manager

MS	Fund Name	Art. 44 (1) (a) or (b) (c)	Fund Manager	Year HF set up	OP contribution to HF (EUR million)	OP contribution to HF reaching FIs (EUR million)	OP contribution to HF reaching FIs as %*	OP contribution reaching final recipients (EUR million)	OP contribution reaching final recipient as %	Management Costs & Fees (EUR million)	Management Costs & Fees as %**
BG											
	JEREMIE Bulgaria	a.	EIF	2009	349.00	242.55	69.50	432.88	124.03	13.70	3.93
	JESSICA Bulgaria	b.	EIB	2010	33.00	30.28	91.76	11.75	35.61	2.25	6.82
CY											
	JEREMIE Cyprus	a.	EIF	2009	20.00	9.83	49.15	12.65	63.25	1.66	8.30
EL											
	JEREMIE Greece	a.	EIF	2007	250.00	86.16	34.46	87.39	34.96	12.58	5.03
	JESSICA Greece	b.	EIB	2010	258.00	20.67	8.01	9.27	3.59	1.07	0.41
ES											
	JESSICA FIDAE	b.	EIB	2011	127.64	17.76	13.91	9.02	7.07	3.32	2.60
	JEREMIE Extremadura	a.	EIF	2011	24.60	24.60	100.00	13.80	56.10	0.00	0.00
	JESSICA Andalucía	b.	EIB	2011	85.71	85.71	100.00	30.11	35.13	10.52	12.27
FR											
	JEREMIE Languedoc-Roussillon	a.	EIF	2008	30.00	9.22	30.73	21.41	71.37	0.99	3.30
	JEREMIE Paca	a.	EIF	2012	20.00	-	-	-	-	1.16	5.80
IT											
	JEREMIE Sicilia	a.	EIF	2010	15.00	0.00	0.00	3.68	24.53	1.1	7.33
	Calabria - Risk Sharing FI	a.	EIF	2011	45.00	45.00	100.00	1.50	3.33	2.10	4.67
	JESSICA Sardegna	b.	EIB	2011	40.99	66.30	161.75	-	-	2.27	5.54
	JEREMIE	a.	EIF	2008	90.00	9.00	10.00	1.30	1.44	-	-

MS	Fund Name	Art. 44 (1) (b) or (c)	Fund Manager	Year HF set up	OP contribution to HF (EUR million)	OP contribution to HF reaching FIs (EUR million)	OP contribution to HF reaching FIs as %*	OP contribution reaching final recipients (EUR million)	OP contribution reaching final recipient as %	Management Costs & Fees (EUR million)	Management Costs & Fees as %**
	Campania										
	JESSICA Campania	b.	EIB	2011	100.00	100.00	100.00	-	-	-	-
LT											
	JEREMIE Lithuania	a.	EIF	2008	41.97	34.96	83.30	28.43	67.74	6.97	16.61
	JESSICA Lithuania	b.	EIB	2009	163.42	122.00	74.65	80.44	49.22	7.16	4.38
MT											
	JEREMIE Malta	a.	EIF	2010	12.00	0.21	1.75	9.71	80.92	49.22	8.17
PL											
	JESSICA Mazovia	b.	EIB	2011	45.29	37.72	82.40	26.20	57.85	1.55	3.42
	JESSICA Wielkopolska	b.	EIB	2009	66.26	62.33	94.07	57.39	86.61	1.55	4.45
	JESSICA Pomorskie	b.	EIB	2010	59.02	58.02	98.32	48.73	82.57	2.40	4.07
	JESSICA West Pomorskie	b.	EIB	2009	36.39	35.61	97.86	34.65	95.22	1.11	3.05
	JESSICA Silesia	b.	EIB	2010	62.83	63.22	100.00	23.12	36.80	2.82	4.49
PT											
	JESSICA Portugal	b.	EIB	2009	132.50	92.78	70.02	59.29	44.75	4.90	3.70
RO											
	JEREMIE Romania	a.	EIF	2010	150.00	147.30	98.20	117.63	78.42	6.74	4.49
SK											
	JEREMIE Slovakia	a.	EIF	2009	100.00	6.58	6.58	11.53	11.53	5.52	5.52
UK											
	JESSICA NW England	b.	EIB	2009	133.10	96.01	72.13	9.14	6.87	3.76	2.82
	JESSICA Scotland	b.	EIB	2010	60.00	17.75	29.58	3.89	6.48	0.97	1.62
	London Green Fund	b.	EIB	2009	152.39	107.95	70.84	88.36	57.98	3.98	2.61

* In those cases where funds reaching the sub-fundFIs exceeded the total commitment to holding funds, this was calculated as 100% in order to not to skew the analysis

** Those cases where management fees were 0% have not been included in the analysis

Source: European Commission (2015d) *Summary of data on the progress made in financing and implementing financial engineering instruments, September 2015, Brussels*, available at:

http://ec.europa.eu/regional_policy/en/information/publications/reports/2015/summary-of-data-on-the-progress-made-in-financing-and-implementing-financial-engineering-instruments-2014

Non-EIB Holding Fund Manager

MS	Fund Name	Art. (1) (b) (c)	44 (a) or	Year HF Set-up	Fund Manager	OP contribution to HF (EUR million)	OP contribution to HF reaching FIs (EUR million)	OP contribution to HF reaching FIs as %*	OP contribution reaching final recipients (EUR million)	OP contribution reaching final recipient as %	Management Costs & Fees (EUR million)	Management Costs & Fees as %**
CZ												
	State Fund for Housing Development	b.		2012	State Fund for House Development	24.48	0.00	-	-	-	3.2	13.07
EL												
	Energy Savings in Existing House	c.		2010	National Entrepreneurship and Development Fund	241.00	73.83	30.63	67.2	27.88	0.07	0.03
	Entrepreneurship Fund (TEPIX)	a.		2010	National Entrepreneurship and Development Fund	540.00	252.1	46.69	251.92	46.65	0.28	0.05
ES												
	JEREMIE IDEA	a.		2009	Agencia IDEA	378.01	379.01	100.26	129.3	34.21	7.3	1.93
FR												
	FCPR JEREMIE Auvergne	a.		2009	SOFIMAC	25.20	-	-	-	-	0.77	3.06
HU												
	Venture Finance Hungary plc	a.		2007	Venture Finance Hungary plc	849.11	798.82	93.96	733.05	86.33	15.12	1.78
IT												
	JEREMIE FSE – Finlombarda	a.		2008	Istituto Presso Finlombarda	20.00	20.00	100.00	17.00	85.00	0.50	2.5
	Fondo di garanzia per piccole e medie imprese di cui alla Legge	a.		2013	Ministero per lo Sviluppo Economico (MISE)	45.00	45.00	100.00	-	-	-	-
	Fondo per le Imprese	a.		2013	Sviluppo	265.00	-	-	-	-	-	-

MS	Fund Name	Art. (1) (b) (c)	44 (a) or	Year HF Set-up	Fund Manager	OP contribution to HF (EUR million)	OP contribution to HF reaching FIs (EUR million)	OP contribution to HF reaching FIs as %*	OP contribution reaching final recipients (EUR million)	OP contribution reaching final recipient as %	Management Costs & Fees (EUR million)	Management Costs & Fees as %**
	Fondo Regionale Di Capitale Di Rischio A Compartecipazione Pubblico/Privata	a.		2011	Zenike Meta Ventures	10.37	7.00	67.50	-	-	0.00	0.00
	Fondo Regionale Rotativo Di Finanza Agevolata	c.		2012	Unifidi Emilia-Romagna	9.98	9.50	95.19	-	-	0.00	0.00
	Fondo Regionale Rotativo Di Finanza Agevolata A Compartecipazione Privata	a.		2013	Unifidi Emilia-Romagna	13.97	22.00	157.48	21.18	151.61	0.00	0.00
	Asse I Fondo di Partecipazione	a.		2013	Lazio Innova SpA	82.50	82.50	100.00	25.54	34.38	-	-
	Asse II Fondo Di Partecipazione	c.		2011	Lazio Innova SpA	50.00	50.00	100.00	3.33	6.66	0.00	0.00
	JEREMIE Fesr - Milano	a.		2008	FINLOMBARDA SpA	20.00	20.00	100.00	0.67	3.35	0.71	3.55
	Fondo Energia, Campobasso	c.		2011	Finmolise SpA, Campobasso	20.70	20.70	100.00	-	-	-	-
	Fondo Univco Anticrisi, Campobasso	a.		2009	Finmolise SpA, Campobasso	30.60	30.60	100.00	10.52	34.38	0.78	2.55
	Costituzione Di Un Fondo Di Rotazione Per Il Finanziamento Agevolato Degli Investimenti	a.		2009	Venetto Sviluppo	67.41	67.41	100.00	144.07	213.72	1.36	2.02
	Fondo Di	c.		2012	Venetto	29.40	29.40	100.00	1.10	3.74	0.00	0.00

MS	Fund Name	Art. (1) (b) (c)	44 (a) or	Year HF Set-up	Fund Manager	OP contribution to HF (EUR million)	OP contribution to HF reaching FIs (EUR million)	OP contribution to HF reaching FIs as %*	OP contribution reaching final recipients (EUR million)	OP contribution reaching final recipient as %	Management Costs & Fees (EUR million)	Management Costs & Fees as %**
	Rotazione Per Investimenti Finalizzati Al Contenimento Dei Consumi Energetici				Sviluppo							
	Partecipazioni Minoritarie E Temporanee Al Capitale Di Rischio Di Imprese Innovative	a.		2010	Venetto Sviluppo	15.00	15.00	100.00	5.22	34.80	1.14	7.60
	Sistema Delle Garanzie Per Investimenti Nell'Innovazione E Per L'imprenditorialità	a.		2010	CONFIDI	39.40	38.37	97.39	82.54	209.49	0.00	0.00
LT												
	Entrepreneurship Promotion Fund	a.		2009	UAB	14.48	14.48	100.00	14.48	100.00	0.66	4.56
	INVEGA	a.		2009	UAB	186.5	170.31	91.32	170.31	91.32	1.38	0.74
LV												
	JEREMIE Latvia	a.		2008	Latvian Guarantee Agency	70.83	31.44	44.39	24.31	34.32	4.83	6.82
NL												
	HF Economische Investeringen Den Haag	b, c.		2012	HF Economische Investeringen Den Haag	8.86	7.76	87.58	0.07	0.79	0.00	0.00
PL												
	BGK, Warsaw	a.		2012	BGK, Warsaw	7.23	6.71	92.81	3.48	48.13	0.32	4.43
	BGK Warsaw	a.		2009	BGK, Warsaw	70.66	19.22	27.20	13.78	19.50	4.7	6.65

MS	Fund Name	Art. (1) (b) (c)	44 (a) or	Year HF Set-up	Fund Manager	OP contribution to HF (EUR million)	OP contribution to HF reaching FIs (EUR million)	OP contribution to HF reaching FIs as %*	OP contribution reaching final recipients (EUR million)	OP contribution reaching final recipient as %	Management Costs & Fees (EUR million)	Management Costs & Fees as %**
	BGK, Warsaw	a.		2012	BGK, Warsaw	49.11	47.88	97.50	40.74	82.96	3.13	6.37
	BGK, Warsaw	a.		2012	BGK, Warsaw	16.05	24.38	151.90	10.91	67.98	0.81	5.05
	Dolnoslaski Fundusz Powierniczy	a.		2009	BGK, Warsaw	99.27	115.82	116.67	108.48	109.28	3.35	3.37
	Fundusz Powierniczy JEREMIE Wojewodztwa	a.		2009	BGK, Warsaw	70.32	80.06	113.85	87.49	124.42	3.07	4.37
	JEREMIE Wielkopolska	a.		2009	BGK, Warsaw	121.75	206.6	169.69	193.78	159.16	4.29	3.52
	JEREMIE Lodzkie	a.		2009	BGK, Warsaw	44.77	55.85	124.75	45.41	101.43	2.67	5.96
	Kujawsko-Pomorski Fundusz Pożyczkowy Torun	a.		2010	Kujawsko-Pomorski	8.78	8.65	98.52	5.72	65.15	0.69	7.86
	National Capital Warsaw Fund	a.		2009	National Capital Warsaw Fund	70.66	19.22	27.20	13.78	19.50	4.70	6.65
	Zachodniopomorski JEREMIE	a.		2009	BGK, Warsaw	67.25	96.07	142.86	86.31	128.34	3.6	5.35
PT												
	FINOVA - Porta	a.		2008	PME Investimentos	311.31	324.08	104.10	288.01	92.52	7.59	2.44
	FOAEA - Acores	a.		2010	Portugal Capital Ventures	0.95	0.00	0.00	0.17	17.89	-	-
SI												
	PIFI	a.		2009	Slovene Enterprise Fund	80.84	44.8	55.42	69.08	85.45	2.04	2.52
UK												
	Finance for Business NE	a.		2009	NE Finance	162.57	139.36	85.72	139.36	85.72	29.77	18.31
	Finance Wales plc	a.		2009	Finance Wales plc	170.45	170.45	100.00	157.29	92.28	0.00	0.00
	Finance Yorkshire	a.		2009	Finance Yorkshire	118.22	102.40	86.62	102.40	86.62	0.00	0.00

MS	Fund Name	Art. 44 (1) (b) or (c)	Year HF Set-up	Fund Manager	OP contribution to HF (EUR million)	OP contribution to HF reaching FIs (EUR million)	OP contribution to HF reaching FIs as %*	OP contribution reaching final recipients (EUR million)	OP contribution reaching final recipient as %	Management Costs & Fees (EUR million)	Management Costs & Fees as %**
	London SME Investment Fund	a.	2012	SME Wholesale Finance	21.39	16.98	79.38	16.15	75.50	0.14	0.65
	LCIF	a.	2009	University of East Anglia	24.83	43.10	173.58	16.23	65.36	3.99	16.07
	North West Business Finance Ltd	a.	2009	North West Business Finance Ltd	195.72	140.39	71.73	140.39	71.73	0.00	0.00
	South Loan Fund Truro	a.	2009	South West Investment Group	13.64	13.25	97.14	17.55	128.67	0.00	0.00
MS	Fund Name	Art. 44 (1) (b) or (c)	Fund Manager	Year HF set up	OP contribution to HF (EUR million)	OP contribution to HF reaching FIs (EUR million)	OP contribution to HF reaching FIs as %*	OP contribution reaching final recipients (EUR million)	OP contribution reaching final recipient as %	Management Costs & Fees (EUR million)	Management Costs & Fees as %**
BG											
	JEREMIE Bulgaria	a.	EIF	2009	349.00	242.55	69.50	432.88	124.03	13.70	3.93
	JESSICA Bulgaria	b.	EIB	2010	33.00	30.28	91.76	11.75	35.61	2.25	6.82
CY											
	JEREMIE Cyprus	a.	EIF	2009	20.00	9.83	49.15	12.65	63.25	1.66	8.30
CZ											
	JESSICA Moravia-Silesia	b.	EIB	2010	-	---	-	-	-	-	-
EL											
	JEREMIE Greece	a.	EIF	2007	250.00	86.16	34.46	87.39	34.96	12.58	5.03
	JESSICA Greece	b.	EIB	2010	258.00	20.67	8.01	9.27	3.59	1.07	0.41
ES											
	JESSICA FIDAE	b.	EIF	2011	127.64	17.76	13.91	9.02	7.07	3.32	2.60
	JEREMIE	a.	EIB	2011	24.60	24.60	100.00	13.80	56.10	0.00	0.00

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	Extremadura										
	JESSICA Andalucía	b.	EIB	2011	85.71	85.71	100.00	30.11	35.13	10.52	12.27
FR											
	JEREMIE Languedoc-Roussillon	a.	EIF	2008	30.00	9.22	30.73	21.41	71.37	0.99	3.30
	JEREMIE Paca	a.	EIF	2012	20.00	-	-	-	-	1.16	5.80
IT											
	JEREMIE Sicilia	a.	EIF	2010	15.00	0.00	0.00	3.68	24.53	1.1	7.33
	Calabria - Risk Sharing FI	a.	EIF	2011	45.00	45.00	100.00	1.50	3.33	2.10	4.67
	JESSICA Sardegna	b.	EIB	2011	40.99	66.30	161.75	-	-	2.27	5.54
	JEREMIE Campania	a.	EIF	2008	90.00	9.00	10.00	1.30	1.44	-	-
	JESSICA Campania	b.	EIB	2011	100.00	100.00	100.00	-	-	-	-
LT											
	JEREMIE Lithuania	a.	EIF	2008	41.97	34.96	83.30	28.43	67.74	6.97	16.61
	JESSICA Lithuania	b.	EIB	2009	163.42	122.00	74.65	80.44	49.22	7.16	4.38
MT											
	JEREMIE Malta	a.	EIF	2010	12.00	0.21	1.75	9.71	80.92	49.22	8.17
PL											
	JESSICA Mazovia	b.	EIB	2011	45.29	37.72	82.40	26.20	57.85	1.55	3.42
	JESSICA Wielkopolska	b.	EIB	2009	66.26	62.33	94.07	57.39	86.61	1.55	4.45
	JESSICA Pomorskie	b.	EIB	2010	59.02	58.02	98.32	48.73	82.57	2.40	4.07
	JESSICA West Pomorskie	b.	EIB	2009	36.39	35.61	97.86	34.65	95.22	1.11	3.05
	JESSICA Silesia	b.	EIB	2010	62.83	63.22	100.00	23.12	36.80	2.82	4.49

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PT												
	JESSICA Portugal	b.		EIB	2009	132.50	92.78	70.02	59.29	44.75	4.90	3.70
RO												
	JEREMIE Romania	a.		EIF	2010	150.00	147.30	98.20	117.63	78.42	6.74	4.49
SK												
	JEREMIE Slovakia	a.		EIF	2009	100.00	6.58	6.58	11.53	11.53	5.52	5.52
UK												
	JESSICA NW England	b.		EIB	2009	133.10	96.01	72.13	9.14	6.87	3.76	2.82
	JESSICA Scotland	b.		EIB	2010	60.00	17.75	29.58	3.89	6.48	0.97	1.62
	London Green Fund	b.		EIB	2009	152.39	107.95	70.84	88.36	57.98	3.98	2.61

* In those cases where funds reaching the FIs exceeded the total commitment to holding funds, this was calculated as 100% in order to not to skew the analysis.

** Those cases where management fees were 0% have not been included in the analysis

Source: European Commission (2015d) Summary of data on the progress made in financing and implementing financial engineering instruments, September 2015, Brussels, available at: http://ec.europa.eu/regional_policy/en/information/publications/reports/2015/summary-of-data-on-the-progress-made-in-financing-and-implementing-financial-engineering-instruments-2014

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